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Ukraine Joins Battle Against International Crime

954K0150 Kiev URYADOVYY KURYER in Ukrainian
11 Oct 94 p 6

[Article by Oleksandr Bittner: "Essential Collaboration"]

[FBIS Translated Text] Crime is taking on more and more of an international nature in recent years. This is engendering new types of crime that were not characteristic of Ukraine up until quite recently. Shadowy economic structures that are taking advantage of the expansion of economic ties with other nations to accomplish various unlawful actions are on the rise in particular. Criminals of a lesser caliber—racketeers, drug dealers, auto theft etc.—are also of serious concern, not only to our police but also to the law-enforcement bodies of other countries.

We certainly cannot get by today without the establishment of direct contacts with the corresponding services of other nations—for efficient and coordinated interaction in the fight against crime—or without regard for the practical work of the internal-affairs bodies of Ukraine, the legislative and regulatory base and the experience of our overseas colleagues. The last regular meeting of officials of the Ministry of Internal Affairs [MVS] with journalists was indeed devoted to questions of international collaboration. The chief of the department for international liaison of the MVS of Ukraine, Serhiy Bezruchenko, reported that the MVS has signed 45 documents of agreement with the corresponding ministries of various nations in the last two years pertaining to joint measures to fight organized crime and terrorism, the illegal trafficking of narcotic and psychotropic substances, weaponry, ammunition, radioactive and strategic materials, financial and economic crimes, smuggling of cultural and historical artifacts, the illegal migration of citizens of other countries across state borders etc. Agreements have been reached, as a rule, that envision the exchange of operational-investigative and criminalistic materials and information, the conduct of joint measures that are coordinated in advance, the conduct of inquiries for operational-investigative actions, the exchange of work experience and facilitation of the professional training of specialists.

It was pointed out at the meeting that the realization of many of the articles of agreements that have already been reached is made more difficult by the absence of international treaties on legal assistance. There are only four such treaties today—with China, Poland, Lithuania and Moldova. The MVS of Ukraine is thus giving preference to reaching intergovernmental agreements on collaboration in the fight against crime, thereby compensating for the absence of the international treaties. Such agreements have already been signed with Croatia, Turkey and Israel, and an intergovernmental agreement with the FRG is being readied for signing.

The entry of Ukraine into the International Criminal Police Organization (Interpol) had great significance for collaboration in the sphere of the fight against crime. The National Central Bureau of Interpol has been created by governmental decree. The specific nature of the functions performed by that entity define its special place in the international

activity of the MVS. Several effective operations have already been mounted with its participation.

Collaboration with the programs, institutions and bodies of the United Nations, the European Council and many international, non-state organizations, funds and foreign higher educational institutions is also useful and promising for the MVS of Ukraine. Contracts are made on a regular basis with a number of international and non-political organizations, such as the Europe-2000 Association, one of the principal aims of which is the protection of constitutional and democratic society on the European continent against the threat of international crime and terrorism.

Experienced representatives of the MVS of Ukraine were sent to the embassies of Ukraine in Poland, Rumania and Hungary in the spring of this year, in accordance with a decree of the Cabinet of Ministers of Ukraine, to arrange permanent working contacts and coordinate joint activities in the fight against crime. The MVS also acted as one of the founders for the creation of a special working body of the CIS countries—the Bureau for the Coordination of the Fight Against Organized Crime. The decision to create it was made on 24 September 1993, during a council of the ministers of internal affairs of the CIS countries.

The parties to the agreements also provide mutual assistance in the social sphere, for the development of sports and cultural ties and the protection of the health of coworkers and the members of their families. Some 250 Ukrainian children had their health improved in 1993-94 in the FRG with the support of our German counterparts thereby.

Meetings at the MVS of Ukraine with the heads of the diplomatic missions of foreign nations in Ukraine and official and working delegations of international organizations and internal-affairs bodies of counterpart countries have become traditional. The director of the Federal Bureau of Investigation of the United States, Louis Freeh, visited Ukraine in the summer of this year, and held talks at the Ministry of Foreign Affairs with representatives of the Supreme Soviet, the Supreme Court, the General Procuracy and the ministries and agencies of Ukraine. The international seminar "The Police in a Transitional Society" was held in the middle of August in Kiev within the context of a program of joint activities by Ukraine and the European Council, with the participation of specialists in the field from Western Europe. The joint Organizational Committee of the MVS of Ukraine and the Association of Police of Ukrainian Origin in the United States, in accordance with a resolution of the Cabinet of Ministers of Ukraine and with the assistance of the American mission "Thoughts on Faith," prepared and conducted the international practical-science conference "Strategy and Experience in Fighting Organized Crime and the Drug Trade" in Kiev, also in August. Leading specialists from 33 countries around the world took part in it.

The MVS of Ukraine also considers international collaboration in the fight against organized crime to be one of the preconditions for the gradual transition to international legal standards in all of the law-enforcement activity of our nation.

Migrations Trends in Former USSR Examined

954F0182A Moscow IZVESTIYA in Russian
26 Oct 94 p 9

[Article by V. Kotov, candidate of historical sciences, expert with the Independent Institute of Social and Historical Problems of the Moscow State University: "Slavic Goodbye"]

[FBIS Translated Text] It is typical for people to move from place to place. Some, however, do it voluntarily, while others do so under the pressure of events.

After 1917 our country was rocked by the most profound social changes which brought about massive shifts in the population. The Civil War launched the first wave of emigration. According to various data it is estimated to have involved from 1.5 to 3 million persons. In the thirties, as a result of forced deportation of a number of nationalities, almost 2.2 million people were relocated. During the war, territory occupied by the enemy was abandoned by over 25 million persons. In the postwar years Russia played a key role in the migrational exchange between Union republics: During 1961-1975 over 1.3 million persons left Russia.

In the mid-seventies, however, the situation started changing—Russia turned into a republic that was not losing but gaining population. Migration from the republics of Transcaucasia, Central Asia, and Kazakhstan is a trend that formed a long time ago. Beginning in the second half of the seventies the greatest outflow came from Kazakhstan, while in the second half of the eighties Uzbekistan attained the same level, and now Azerbaijan is also closely approaching that same level. On the whole the outflow from Transcaucasia is almost equal to that from Kazakhstan.

Why was there a change in the nature of migration by the end of the eighties-start of the nineties? What processes brought that about? What is the composition of migrants by ethnic, social, and other features?

The migrational movement of recent times is first of all characterized by the return of the Russian population, which at one time left the republic. Georgia was the first republic to which return migration began. Between 1959 and 1988 the size of the Russian population in that republic decreased by 18 percent. The number of Russians in Azerbaijan and Central Asia started dwindling in the seventies, while in the eighties that same process began in Armenia as well.

An extremely strong influence on acceleration in the rate of migration was exerted by sociopolitical events of the nineties—disintegration of the Soviet Union, acquisition of sovereignty by the republics, intensification of nationalism, as well as economic and political crisis. The egress of Slavic peoples from the republics went up sharply and almost turned into wholesale flight. Among other nationalities, Ossetians were fleeing to Russia from Georgia on a huge scale in 1991.

The first Russian refugees appeared in Russia after the ethnic conflicts in Tuva. Even then there was no guarantee that they would not be forced out by the events in Chechen, North Ossetia, Tatarstan, and in other republics. Later events confirmed the most gloomy predictions.

Just in the final months of 1989 and the start of 1990, 22,000 Russians left Transcaucasia. In 1990 the departure of Russians from Central Asia was 10 times greater, and from Transcaucasia eight times greater than in the previous 10 years. A total of 205,000 Russians (77 percent of all Russians who left the former republics) arrived in Russia in 1990.

The trend toward reemigration of Russians continued, with the exclusion of Ukraine and Belarus, where the influx of Russians from Russia showed a slight increase (mainly consisting of mixed marriage families). At the same time, according to studies done by the All-Union Center for Study of Public Opinion, as long ago as the end of 1991 around one third of the Russians in the Baltic Region and in Transcaucasia responded saying that they would like to return to Russia. In the republics of Central Asia that figure rose to 70-80 percent. Many feared blood-letting due to ethnic conflicts.

But that was just the beginning. The process not only accelerated but began taking totally uncontrollable turns. In 1991, 144,000 Russians arrived in Russia, 377,000 in 1992, and more than half a million in 1993. The Russian government turned out to be clearly unprepared for resolving problems connected with the housing and job placement of these resettlers, which further complicated the socioeconomic and political situation in the country.

In recent years the main streams of resettlers have been coming from Tajikistan, Armenia, Azerbaijan, and Georgia (over 9 percent of all Russians in those republics left in 1992). There was a substantive increase in the outflow of Russians from the Baltic Region.

By the start of 1993 there were close to 270,000 officially registered refugees on the territory of Russia, 70 percent of whom were Russians, and the share of Russians in the stream of registered refugees is still growing. In addition, a substantial part of refugees of Russian nationality may not register if they are able to resolve their own housing and employment problems.

Refugees were accepted by more than 25 oblasts and krais in the Russian Federation, but the greatest pressure from forced migrants is being experienced by North Caucasus, which accepted three-fourths of all the refugees.

Migration had a substantial effect on the ethnic and demographic situation in Russia. In the seventies and eighties there was a concentration of such nationalities as Belarusians, Ukrainians, and Moldovans in the republic. Most of them were specialists, engineers, and workers engaged in the sphere of production who were striving to improve their well-being by working at industrial enterprises of Russia.

In the second half of the eighties the number of Armenians, Georgians, Uzbeks, Turkmen, and especially Kirghiz, Tajik, and Azeri people grew at a particularly rapid pace, even though on the scale of the Russian Federation the absolute size of each of these groups of nationalities did not appear excessively large.

To a significant extent these processes were conditioned by the aspiration of part of the population to leave zones of international conflicts. It is impossible to exclude the possibility that under conditions created by economic disintegration they may become a source of ethnic tensions in Russia itself. They are encountering problems with housing and job placement, since many are not engaged in the production sphere but prefer occupations in the sphere of services, commercial-entrepreneurial activity, and so on. With the current weakness of the state apparatus, these occupations sometimes acquire a criminal character.

Here are a few figures for illustrative purposes. According to data furnished by the Independent Moscow Association of Sociologists (MAS), around 70 percent of murders in Moscow are committed by people who came from the Caucasus and Central Asia. They account for over 90 percent of extortion rackets with the use of weapons in the major cities of Russia, up to 80 percent of fatal beatings, and up to 65 percent of rapes that are committed.

Several nationalities live in Russia whose overall number has been steadily declining over the last 30 years. These are Jews, Poles, Mordvinians, Finns, and Karelians. The reason is assimilation processes, even though these nationalities are distributed rather compactly. The decrease in the number of Jews, however, is in many ways linked with their emigration, which has grown considerably in recent years (500,000 individuals in 1989-1991). The same may be said about Letts and Estonians (the number of Lithuanians increased somewhat in the eighties), many of whom have moved, particularly in the last few years, to the Baltic Region.

Over the last few years there has also been an increase in foreign immigration. According to information provided by the Ministry of Internal Affairs of the Russian Federation, just in the late eighties-early nineties there were more than 130,000 such emigrants. About 40 percent of the emigrants from Russia were residents of Moscow, St. Petersburg, and Leningrad Oblast. For the most part they went to Israel, Germany, and the United States.

According to registration data, about a fourth of the Russian emigrants are Germans (approximately a third of those departing did not indicate their nationality). The number of Germans has always been quite high despite the repressions. Their attempts to restore their national statehood has not produced results so far, and as a consequence provided an impetus to the formation of a large movement prompting return to the original homeland—the FRG. The other emigrants for the most part consist of Jews and Russians (mostly mixed-marriage families).

In general one might assume that with the preservation of the migrational tendencies in Russia there is an increase in

the share of the Russian population. That, however, is not taking place. The demographic situation in the republic is so unfavorable that even this migration flow did not compensate for the population losses. At present Russia has the lowest birth rate in all the postwar years, along with the highest death rate. In just the last two years the population of Russia decreased by more than 1 million, and future prospects, to put it mildly, are rather negative. As far as the other former republics of the Soviet Union are concerned, there the population is actually becoming more ethnically pure in nature. Only time will reveal the durability of that trend. The present state of migration of the Russian population, however, causes serious concern.

Ukraine-Russia Border Regions Discuss Trade, Cooperation

954E0136B Moscow ROSSIYSKIYE VESTI in Russian
2 Nov 94 p 3

[Article by Gennadiy Belotserkovskiy: "Neighbors Drawn to Each Other"]

[FBIS Translated Text] Rostov-on-Don—Residents of the 12 border oblasts of Russia and Ukraine are interested in seeing the border between them unite rather than divide them. We are too heavily interdependent to impede access to each other. This idea was voiced repeatedly in Rostov-on-Don at a meeting of the council of officials of these oblasts (the first two meetings were held in Belgorod and Sumy).

The tone of the discussion was set by border guard officials. The idea is to set up joint border controls and to separate crossing points by types: Guests from countries that are not ex-Soviet republics would be subject to full-scale checks, but a simplified procedure would be established for bilateral exchange. In the process, Russian and Ukrainian border guards are prepared to delegate their powers to each other.

It is interesting that the border guards are also prepared to go further by creating a dense network of local crossing points on the border, "so that grandma Yevdoka can freely visit grandma Marfa" without any customs or other inspections. A person would present a document from his rayon administration showing where he lives and could then cross freely. However, this provision was not included in the council's decision. The legal base is not yet ready, and the concept of "local crossing point" remains undefined. Meanwhile, customs officers have to follow directives issued not by their oblast centers, but by Moscow and Kiev.

The meeting also discussed the environment. Water management officials requested money for a "restoration program." A lot of money. This was met with total silence—the oblasts' treasuries are half-empty.

In the opinion of Yuriy Peskov, general director of the Rostselmash [Rostov Farm Machinery] Joint-Stock Company, investments in the environment will appear only

when the economy starts functioning and money begins flowing into the budget. And the council must first turn its attention to business.

"Engines for our combines come from Kharkov," Peskov said. "The drivers used to be able to make the round-trip in 14 hours, but now it takes them several days. We have to pay them several times more. And there are hundreds of such examples. All this affects the combines' production costs. Everybody looses, including Ukraine, where only our combines are used to harvest grain."

Rostselmash used to get more than half of its component parts from Ukraine. On account of customs barriers and the partners' whims, half of this cooperative production was been redirected to Russian enterprises. For example, engines for Niva combines now come from Altay. And they are pretty good ones. "Unless changes are made, I'll switch to Russian subcontractors completely in a year's time," the general director vowed. "And Ukraine could end up without orders and lose thousands of jobs."

"Incidentally, the problem of employment is already assuming top priority for us, too," said Don governor Vladimir Chub. "The Tula Combine Plant's failure to meet its commitments in supplying headers for Don combines forced Rostselmash to start producing them itself. The result is better and less expensive. Meanwhile, the Tula plant, left with no orders, is sending envoys to Chub, saying 'let's persuade Peskov to start working with us again.'"

There are also rather good examples of cooperation. One hundred thirty-seven Russian-Ukrainian joint ventures and subsidiaries have now been set up in the Don, and the Don's trade with Ukraine has increased to \$300 million in the past nine months, which is more than double last year's figure. Thanks to the agility of local banks, there have been no problems with payments. Some of them, led by Doninvest, are prepared to serve as guarantors of major interstate commercial deals and economic endeavors. As Yuri Peskov said, we need to finally activate our countries' enormous economic potential. It's high time!

Checkpoints Will Not Be Beneficial (Article by Viktor Chemodurov).

Kursk—No substantive changes have occurred on the 300-kilometer-long Kursk sector of the border between Russia and Ukraine, and journalists, finding no real news, wondered why the oblast administration had called a press conference. Deputy Chief Administrator Viktor Novikov willingly explained that the population of the border area had reacted negatively to any restrictions on their customary freedom (in particular, to the recent appearance of border guards here), and we are hoping that the mass media will help us do some explanatory work.

But the problem, it seems, is not only the sentiments of the "aborigines" of Russia's new borderlands. Officials of force-wielding and control agencies who are working on the border today are themselves torn between their feelings and duty.

Needless to say, they are all doing their jobs and understand perfectly well that Russia's economic and other national interests must be protected. And life itself demands that concrete actions be taken. According to officials of power-wielding structures, organized crime, including drug trafficking, has visibly increased in the border zone (on both sides). The number of foreign citizens (in particular from the countries of Africa, Southeast Asia and the Middle East) coming to Russia with improper and counterfeit documents, or with no documents at all, has increased. There is a problem with the quality of goods, especially food products. Finally, in connection with the threat of cholera from Sumy Oblast, it has become necessary to take stricter quarantine measures.

Concern for Russia's economic interests constitutes a special category: Encroachments on those interests continue unabated. Counterintelligence officers prevented the smuggling out of Russia of ferrous metals, fuel, lubricants, and other raw materials valued at 17 billion rubles. In the course of just two operations (Trail '94 and Search '94) conducted by the Kursk police in August and September away from stationary checkpoints, 100 million rubles' worth of goods that were being transported illegally were seized. Customs officers and border guards have also seized several hundred million rubles' worth of goods, and their combined seizures are in the billions. And considering that only five of the 70 roads linking Kursk and Sumy oblasts have been closed, it becomes clear that all that is just the tip of the iceberg.

But local authorities and residents are still hopeful that border regulations will develop "in the direction of a search for an optimal solution." What does this mean?

The vast economic region historically arose as a single entity. Then it was painfully torn apart and became known as the Russian-Ukrainian border. And while state demarcation continues at the level of capitals, the five oblasts on this side and the five oblasts on that side, after recovering from the first blows of "sovereignty" and "independence," are gravitating to each other more and more strongly.

They ask that rapid steps be taken to conclude an interstate agreement (at the level of presidents or prime ministers) to provide for reciprocal preferential terms that can restore normal life to the 10 border oblasts. The governors are insisting on unimpeded movement of freight belonging to economic entities in the border area; that customs duties be abolished, that control and processing procedures at checkpoints be simplified, and that border-crossing procedures for residents of the neighboring provinces, who are closely linked by kinship, be simplified.

The council launched an initiative to draft an interstate agreement. The document is now ready, has been approved at all levels, and will soon be signed in the two capitals. In any case, the border region is awaiting the agreement impatiently. And with the hope that it will have a favorable effect on both the economy and public sentiment.

Procedures for U.S. Adoption of CIS Orphans Criticized

954F0212A Moscow IZVESTIYA in Russian
28 Oct 94 p 7

[Article by IZVESTIYA correspondent Vladimir Nadeyin:
"The Export Child From Russia"]

[FBIS Translated Text] Washington, D.C.—

Quiet "Ganaraty"

At the Razdelyanskiy Children's Home, where I lived for a few months before boarding school, there were two quiet, nonmischievous boys. We called them "ganaraty." What exactly that word, which we used so often, actually meant, no one knew, not even our teachers (almost all of whom were women).

Much later I realized what this implied: degenerates (degeneraty). How did this Latinism reach our remote children's home? Unlike, say, a dislocated elbow, a broken leg, or a never-ending cold, the nature of mental retardation was something none of us had the slightest notion of.

But we sensed that they were not like us.

The boys were almost never played with. They did not play much at all, but sat quietly, often in a pair. Now I know that they were living in another dimension of life. At the time, though, I could not understand why they were so cowed. Unlike us, the older boys did not beat them, and in the kitchen the cooks poured them a little more and a little thicker soup. We were hungry, but we did not grumble. We were still little boys, but somewhere we had the wisdom to know that you had to pity anyone hurt in his mind.

In Ilya Ilf's "Notebooks," which I once adored, I never did like the entry: "Two sister hysterics and two brother degenerates." Irony makes guilt of misfortune. Only a very fortunate person could allow himself that kind of a joke on the greatest of unhappinesses. Ilf was not so very fortunate. Was it just for the sake of effect?

In Washington, 16th Street, which leads directly to the White House, is about 10 kilometers long. Almost at its end, on the left, in the Public Center (a neighborhood club, we would say), a meeting was held recently for Americans who had adopted children from the former USSR.

Russia as yet has no law on international adoption. (As far as I know, this is true for most countries of the CIS.) In practice, everything is guided by a resolution passed in December 1992 by the Russian Federation Supreme Soviet on the procedure for international adoption in Russia. In America, it is known as the Khasbulatov letter.

The legal deficiencies and logical incongruities of this document showed up very quickly, especially the all-pervasive arrogant will of the state, which places its own prestige over the good of children.

Let us point out the two important merits of the Khasbulatov letter, though.

First, this represented a marvelous surge of humanism. For many decades, no matter what cruel and truly tragic things happened to abandoned children and orphans in the USSR, international participation in their fate was not allowed.

Second, this was just that instance when confidence in the supremacy of one's power proved a saving and a blessing for hundreds of children. And what children!

When I set out for the club on 16th Street, I knew the essence of the limitations on international adoption, so I felt out of my depth. I faced a meeting with dozens if not hundreds of "ganaraty" from my orphanage childhood. I prepared to meet hundreds of children with the stamp of debility, or slant-eyed, or hare-lipped, or with a cleft palate, or with cruel congenital deformities, or wheezing from asthma, or with a congenitally damaged spine, or all this and more like it in various combinations.

The club was filled with that sweet murmur that always accompanies a gathering of children. Most of the boys were racing around the hall, as you would expect. Many were standing in line with their new parents for the buffet: sausages, salads, cheeses, Coke and Pepsi, coffee. Once I got closer a little later I noted that a few of the children were not active. Outfitted American style, though, in jeans and colorful t-shirts, surrounded by caring adults, in no way did they create an impression of forgotten "ganaraty."

Only on one child, a girl of about two, did I see a fresh scar on her upper lip—the trace of a repaired hare lip. Only one....

The absolute majority of the children, who should have been sick, looked perfectly healthy.

To Adopt a Child

Annually, from one to two million American families express a desire to adopt a child. In America itself, these desires remain largely unsatisfied, since approximately 100,000 children are left every year in various kinds of shelters and homes for newborns. Each family has to wait at least two and a half years for a child or pursue other options abroad.

Occasionally adopted children are also taken from the United States; very rarely from Canada and Western Europe. Due to the high social subsidies in Europe, only very rarely do single mothers abandon their children. Actually, it is not just a matter of subsidies. Having a child outside of marriage not only is not a sin but is even a unique advantage in the eyes of a likely husband as well as society.

No one knows precisely how many American children are taken out of the country. No one knows how many are brought in from outside the country. These are the official figures: 500 taken out; 7,000 brought in.

These figures are considered low. In the last four years, the Cradle of Hope agency has brought in more than 600 children from Russia, Ukraine, Belarus, and Moldova. The Frank Foundation has brought in more than 600 over the last three years. But many children are also adopted from Asia, Latin America, and African countries.

The rules here are precise and strict, and the authorities monitor their observance alertly, importunately, even. The punishment for diverging from them is painful. Therefore, international adoption goes much more quickly and simply in America than does their own, domestic adoption. Due to this simplicity, it has also become a profitable business. In the year before last, 42-year-old Nina Kostina, a former Soviet citizen and the founder of the Frank Foundation, indicated on her tax declarations income amounting to \$522,289, received for acting as an intermediary in the adoption of 70 children from Russia.

Although taking children out of the CIS looks like a profitable business, private agencies in the United States undertake it on a nonprofit basis. There are no dividends, but there is a salary set by the management (that is, for itself). As the WASHINGTON POST wrote, Nina Kostina received an annual salary of \$65,000 last year, much more than what she could have earned working as a translator for the U.S. Wheat Association.

The excellent salary is very likely not the only stimulus for firms involved in international adoption. One Soviet immigrant who opened her own marriage office earned even more than Nina Kostina. She even gave up her prestigious job as a teacher at Johns Hopkins University for the sake of it. But the import of Russian wives falls under a different article, is not well controlled, and pays better, although it involves greater risk.

Actually, there is also a risk in adoption.

Normal Ones Asked Not To Fuss

According to Kostina's assurances, the actions of Frank are carried out taking the Children of Russia government program into consideration. This is the one and only reason she is supported by N.I. Yeltsina. Still, Kostina did not escape the interest of Moscow racketeers. She turned to the capital police for help. The racketeers backed off. The agency's co-owner reciprocated by paying for and organizing a trip to the United States for several officers of the Russian Ministry of Internal Affairs.

Of course, she invited top ministerial officials, which meant an official invitation was required from the FBI. The FBI would not stoop to Kostina's requests, so her agency sent an invitation on forged letterhead—a scandal over which, as the WASHINGTON POST asserts and Kostina denies, an investigation has recently been opened against Frank.

But even competition does not keep Nina Kostina from performing good works for infants' and children's homes and individuals from various levels of the ministries of health and education.

For some powerfully inclined officials, the prohibition on international adoption that existed in the Soviet Union was an object of pride. In the press, the fortuitous biographies of former children's home residents who went on to become diplomats and generals were often cited. But

despite these blessed legends, the prisons offer more convincing post-children's home statistics than the Ministry of Foreign Affairs or the General Staff.

Practical workers know one fateful boundary: the sharp boundary that falls between the Ministry of Health and the Ministry of Education. If a child from an infants' home (Ministry of Education) has not been requested for a family in time, then he ends up in a children's home (Ministry of Education). Children's home residents, those unfortunate children, just a little older and therefore "more spoiled," are adopted less willingly. It is easy to wind up in a children's home, but a whole lifetime sometimes is not enough to get out of it.

The Khasbulatov letter, which has been adopted by other former Soviet republics, derives from a specific Soviet presumption: "if-you-have-your-native-land-then-you-have-no-other-cares." Therefore, the letter allowed only those children who cannot be adopted to fellow Russians to be given to foreigners.

Into this category fall children who are mentally retarded, children who have severe hereditary diseases, hepatitis carriers, severe asthmatics, children with signs of psychological disorders, outward deformities, and also (it is shameful but, unfortunately, a real reflection of our ordinary racism) children from parents of different skin colors.

This restriction meant that children did not have normal chances of being adopted in America.

What is there to say? When you check carefully, there is a knife with a screw.

Vova Jackson

When the five-year-old grandson of my old friend and long since local immigrant I.M. Dinets refused to eat his soup, in reply to the Soviet-style threats of his demanding grandmother he said: "Zina, I am in a free country. I have rights."

It is true. Children here do have rights. Hundreds of different organizations monitor their observance. Children know their rights and exercise them confidently. But the main proponents of the young person's rights are his parents.

During the meeting on 16th Street, I spoke with a couple dozen parents and their adopted children. All the children spoke Russian with difficulty or not at all. For the three- and four-year-olds, who had been fully immersed in a different environment, half a year was quite sufficient for the foreign language to become native.

Still, it was strange to hear their names: Sasha, Klava, Vova. American adopters, as a rule, do not change the Russian names of their new children to American-style names. They do not attempt to create the impression of being their true parents. They feel that there is nothing disgraceful about the truth, and that Russian children have a right to remember and know that they are Russian and that that relationship does not inhibit love in the American family at all.

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What Americans do follow fixedly is correctly drawn up documents. They do not take the slightest risk in following the adoption procedure. The reason for this painstakingness lies in their desire to avoid any grounds for a lawsuit. In this sense, Russia and the other countries of the former Union are very convenient: Their distance lends hope that, should something happen, the child's real parents could not get here so easily.

But distance has its shortcomings as well. Flying back and forth as a whole family is expensive. And here you cannot manage without an agency.

"Most of the paperwork on drawing up the documents is usually done before the arrival of the spouses who have decided to adopt a child," says Linda Perelsteyn, the executive director of the nonprofit agency Cradle of Hope. The agency also organizes everything necessary: the meeting at the airport, a room in a hotel or, what many Americans prefer, in the apartments of private citizens. The agency recommends bringing along medicines, children's vitamins, children's clothing and shoes, and toys for the infants' or children's home where their children have been brought up. The couple flies home with the child.

All this, however, is the final phase of the procedure. Work begins with the selection of the parents. According to the conditions of the Cradle of Hope, at least one of the parents must be between the ages of 30 and 45. Those who are older (but no more than 55) can adopt an older child, from five to 10 years old. The adopting family can have children or it can be childless, but the spouses must have been married at least two years. They must have respectable incomes.

In her years of work at the agency, Linda Perelsteyn recounts, there has been only one instance of a child being refused. Once in America, it became clear that the child bore the gene for alcoholism [as published]. In less than a week, however, the agency had found a new family for the child. The new parents decided to fight for him using the newest treatment methods.

Husband and wife David Johnson and Marilyn Harper of Madison, Wisconsin, have sued Nina Kostina and her agency, however, demanding compensation of \$4 million because their child turned out to have congenital alcoholism syndrome [as published]. Kostina justifies herself by saying that the couple was presented with a complete set of the essential medical documents in Russia.

On average, adopting a Russian child costs \$13,500. To this must be added the cost of flights and trips back and forth, payment of translators, and so on. Adoption in the United States itself is much cheaper, but the process drags out for a very long time and is plagued with red tape.

Healthy Children 30 Percent of the Time

The agency warns parents in advance what kind of children are being let out of Russia. As a rule, illnesses do not scare off future parents. Many of them already have their own children. Such people adopt new children not only out of a desire to fill an emotional breach in their lives but also

out of humanitarian and religious feelings and a desire to help a suffering innocent being.

Speaking simply and plainly, such ill children are very lucky. In America they know how to treat what they also know how to treat in Russia but do not, due to a shortage of funds and equipment. Here, however, they also cure them of misfortunes, including congenital ones, that in Russia remain incurable.

Putting their faith in American medicine, many families are not overly grieved when they adopt ill little children. But there are those who would rather get a healthy and attractive child right away. That is, precisely the kind of child it is forbidden to take out.

This is where the agencies are invaluable. Among their ranks the majority are emigrants from the Soviet Union. Making use of old contacts and old customs, officially hiring or secretly bringing in the necessary people to collaborate, the agencies get permission to adopt children who are sick but quite curable, or almost healthy, or healthy without any "almosts" at all.

"In Russia, the government today is allowing international adoption only of sick and mentally retarded children. However, a careful check shows that at least 30 percent of all the children adopted by foreigners turn out to be perfectly healthy," the WASHINGTON POST wrote recently with some amazement.

The absence or vagueness of laws is the butter on the bureaucracy's bread. "Without local assistance, negotiations with the multi-level bureaucracy is truly impossible," responded a U.S. State Department associate familiar with the matter.

A Law in Search of an Author

In Morocco there is one mandatory condition for international adoption: No matter where the adoptive parents live, they must confess Islam. Even if the child would be perfectly happy among Christians or Jews, the way into non-Muslim families is barred.

In the United States there are no restrictions connected with the interests of the state or society. The interests of the child supersede everything else. They are everything.

Russia is stuck somewhere in between. While keeping the healthy ones, it does not fully picture what it is going to do with them. Anyone who states outright that a child in a children's home has better chances for happiness than an adopted son in a normal American family simply does not know either one.

Every day, hundreds of young children cross the line beyond which their chances for acquiring a family almost disappear. Anyone who finds himself in a children's home after an infants' home is skidding into a rut that is very hard to get out of.

Passage of a law on international adoption is a task of extreme urgency and high honor. It is simply astonishing how many deputies are missing their chance to ensure their good name for a long time to come and all over the Earth.

Absence of Russian-Estonian Border Agreement Causes Problems

954F0250A Moscow *SEGODNYA* in Russian
29 Oct 94 p 3

[Article by V. Nesvizhskiy: "Residents of Narva and Ivan-Gorod Go To Work Illegally"]

[FBIS Translated Text]

Agreement on Simplified Crossing of Russian-Estonian Border Again Not Signed

The meeting of officials from Russian and Estonian territories that lie along the border between the two countries, which took place this week in Narva, again failed to reach an agreement on the question of simplified border crossing for residents of these regions.

A preliminary draft of the documents was signed at Ivan-Gorod back in April 1994 and was discussed by government delegations at Lokhusalu, but a final decision was never adopted. The principle obstacle to the legislative realization of the system of simplified border crossing at that time consisted of the problem of Russian troops being in Estonia. The troops, as commonly known, were withdrawn almost two months ago, but the situation has not changed since that time.

There is a de facto border-crossing system without visas for dwellers of Narva and Ivan-Gorod (Leningrad Oblast) situated on the border (on the basis of registration in one of the cities.) By the admission of the Estonian side this system is not quite legal since there is still no appropriate agreement regulating this matter. More than that, today no one can say how long the present situation will continue since either side might repeal the existing order at any time.

According to the mayor of Ivan-Gorod, around 400 Ivan-Gorod residents go to work in Estonian Narva and around 900 residents of Narva travel to the Russian city of Ivan-Gorod. In addition to that, quite a few residents of Narva, which is populated for the most part by Russians, have relatives in Ivan-Gorod.

The Narva authorities, who favor the signing of an agreement concerning simplified border crossings, can see a serious problem in the absence of a bilateral treaty on legal assistance: "The close ties between these two cities give rise to problems with international crime, while links with Russian militia are still based only on personal contacts," stated Reyn Layd, prefect of the Narva police. "Due to the absence of a treaty we exchange detained criminals only with the militia of the border town of Ivan-Gorod, whereas in response to queries from organs of internal affairs in the rest of Russia we must advise them to contact Interpol. At the present time a criminal in Russia can very easily hide in Estonia and vice versa."

Despite the fact that the conference of border regions adopted an appeal to the governments recommending renewal of negotiations on the draft of the agreement, the

participants did not conceal the fact that the main reason the treaty has not yet been signed is the absence of political will on both sides.

Judging by everything, Tallinn is much more interested in free crossing conditions not in the northern but in the southern sector of the border (Pskov Oblast) where the Estonian-speaking Setu nationality is settled in Pechorskiy Rayon, which is disputed by Estonia, and in the neighboring Estonian uyezds. Juri Adams, chairman of the Legal Commission of the Estonian parliament, stated at the meeting that "for Estonia, the main task consists of assuring the movement of people in Pechorskiy Rayon." Whereas Russian interests here, it seems, are quite the opposite: Moscow, which is interested in free movement of Russian residents of Narva and Ivan-Gorod, is not predisposed at all to promote the appearance of Setu and Estonians "from that side" in the disputed Pechorskiy Rayon (by the way, by contrast with Narva and Ivan-Gorod, in the southern sector there has not been any free crossing of the border since 1992). In addition, the Estonian delegation was represented by mayors from both north and south of the border, whereas the Russian side was represented only by the Ivan-Gorod leadership, as the Pechor delegation decided to stay home for some unknown reason.

With such a striking difference in the interests involved, it seems doubtful that the sides will be signing a treaty on simplification of border crossings in the foreseeable future. Rather, one might anticipate a tightening of border-crossing regulations. Estonia, which has agreements on visa-free travel with Britain, Denmark, and Eastern Europe, is attempting in every possible way to penetrate the visa space of the European Community, one of the criteria for membership in it being rigid control along borders with the rest of the world.

Bosnia Arms Embargo Violations Reviewed

954F0256A Moscow *NEZAVISIMAYA GAZETA* in Russian 27 Oct 94 p 3

[Article by Nikolay Plotnikov, *NEZAVISIMAYA GAZETA* military observer: "UN Decisions Are Not Binding for All: The War in the Former Yugoslavia Is Permitting Big Money To Be Made in the Arms Trade"]

[FBIS Translated Text] The flame of the intra-Yugoslav conflict sometimes dies down, sometimes flares up with new strength. And no end to this bloody drama, despite the efforts of the United Nations and the world community, is in sight. In the opinion of the delegation of Serbian, Croatian, and Bosnian clergymen who recently paid a private visit to Russia, the main reason is that the war in the former Yugoslavia is permitting substantial fortunes to be made in the arms trade. In addition, some states, taking advantage of the troubled times, are endeavoring to restore their former influence in the Balkans.

The clergymen from the former Yugoslavia say that in circumvention of the embargo on supplies of weapons and

military equipment to all republics of the former Yugoslavia imposed by the UN Security Council resolution of 25 September 1991 several East European, Western, and Islamic countries are illegally exporting the lethal commodities on an enormous scale. Both dealers of the so-called weapons black market via a multitude of brokerage firms and grassroots organizations that have sprung up (like the Bosnia-Algeria Solidarity Society, the Islamic Society, the Agency for Assistance to Developing Countries, and so forth) and official structures with the assistance of the special services are involved in this. According to the information of the Yugoslav clergymen, weapons are being supplied by Poland, Hungary, the Czech Republic, Slovakia, the Netherlands, Austria, Germany, Switzerland, Turkey, Iran, and Saudi Arabia.

Most arms are being supplied to the Muslims of Bosnia-Herzegovina and to Croatia. It is roughly estimated that as of 1 October of this year the Muslims had received \$450 million in weapons. Croatia, a total of over \$700 million's worth.

The key role in the equipment of the Croatian Army is being performed by the FRG, which previously sought from members of the European Union the speediest recognition of Croatia as an independent state. Antitank weapons of the former GDR Army were delivered to Croatia literally several days after the UN Security Council's adoption of the embargo resolution. In October the Croats obtained from Germany six 155-mm howitzers and several 120-mm mortars. Then portable SAM missile systems. In December 1991, 60 pieces of armored equipment. Large supplies were noted in 1992—Ambrust antitank grenade launchers, approximately 50,000 Kalashnikov submachine guns, and 2,500 hand-held RPG-7 antitank grenade launchers. In 1993-1994 Germany supplied the Croatian Army with weapons totaling more than \$350 million. They included the American Stinger portable SAM systems, NATO Milan antitank missile batteries, MiG-21 aircraft of the former GDR Air Force, Mi-24 combat helicopters, and 203-mm and 152-mm howitzers.

The biggest suppliers of weapons to Croatia, according to JANE'S DEFENSE WEEKLY, an authoritative reference among military specialists, are, together with Germany, Switzerland (\$90 million) and Slovakia and Austria (\$60 and \$61 million respectively).

The Bosnian Muslims are being supplied weapons and military equipment mainly by the Islamic states. Here are just some facts of weapons deals mentioned in the Western press.

THE ECONOMIST, Britain, 12 February 1994. In the summer of 1993 the UN force in the area of the Maribor locality in Slovenia discovered a well-concealed store containing 150 tonnes of weapons and ammunition of Chinese and Czech manufacture for the Bosnian Muslims. Of the \$2 billion spent last year on illegal supplies of arms and military equipment, 80-90 percent were used for the Bosnian Muslims. In the opinion of the author of the

publication, the Croats are using illegal channels on the territory of the FRG, Austria, Hungary, and Slovenia to organize supplies of weapons. The Muslims, Albania, Macedonia, and Croatia.

OBSERVER, Sweden, 15 May 1994. In 1994 Iran has supplied the Muslims via Croatia with 60 tonnes of weapons and ammunition. They were supplied at the end of 1992 from Islamic states via Zagreb with 2,000 tonnes of weapons and ammunition, which included four rapid-fire guns with a basic load of ammunition, 122-mm mortars, 700,000 12.7-mm rounds, 3,500 antitank shells, 82-mm mortars with a basic load of ammunition, and 1,000 122-mm shells.

THE WASHINGTON POST, United States, 5 July 1994. At the end of 1993 the Bosnian Muslims were supplied via the Turkish port of Izmir and thence via the territory of Bulgaria, Romania, and Hungary with weapons of the disbanded Lebanese militia.

According to the estimates of British military analysts, Iran has sent Bosnia weapons totaling almost \$50 million, Saudi Arabia—\$40 million, Egypt—\$35 million, Libya—\$15 million, and Turkey—\$8 million. As the INTERNATIONAL HERALD TRIBUNE (18 March 1994) reported, Iranian dealers are selling weapons not only to their brothers in faith—the Muslims—but to the Bosnian Serbs, what is more.

In May through September of this year Muslim formations received from the Near East a consignment of Mi-8 and Mi-17 helicopters. The question of the sale to them of 20-25 French Gazelle helicopters totaling \$50 million and ammunition for the artillery systems is being decided at this time. As a journalist of the SLOBODNA DALMACIJA newspaper told your NEZAVISIMAYA GAZETA correspondent, it is planned to transfer the helicopters in disassembled form by an air route from Beirut to Croatia, where they will be assembled and delivered to Bosnia.

Practically all the weapons are supplied to the Bosnian Muslims via the Croatian seaports of Ploce, Split, and Rijeka and the airports of Zagreb and Tuzla. Then disguised as humanitarian aid convoys or as part of them, they are shipped to their destination. What is more, Croatia charges from 20 to 30 percent of the shipped load for transit.

Not all was as it should have been either as regards the extensively publicized NATO operation last year for dropping humanitarian assistance for the besieged Muslims from military transport aircraft. According to UN military observers, there appeared in the arsenals of the surrounded Muslim formations at that time American M-16 rifles and ammunition with the Made in the United States stamp. Evidently, it was not just food, but some other things that fell from the skies. Military-transport aircraft of the United States flew approximately 1,500 missions at that time, dropping over 11,000 tonnes of freight, and its NATO allies, 2,500 missions....

A relative calm has been established in the Balkans at this time. But no one can say how long this will last since weapons in circumvention of the UN embargo are continuing, as before, to arrive in the former Yugoslav republics in a broad stream.

From NEZAVISIMAYA GAZETA

The fact that the bulk of the information was obtained from Serbian clergymen was obviously the reason for the absence of data on illegal supplies of weapons to Serbia. The fact that NEZAVISIMAYA GAZETA is a Russian paper most likely prompted Moscow's guests to say nothing about probable supplies from Russia's weapons black market.

ECONOMIC & SOCIAL AFFAIRS

Foundation Highlights Need for Social Protection Measures

954F0257A Moscow NEZAVISIMAYA GAZETA
in Russian 27 Oct 94 p 4

[Declaration of the Reform Foundation signed by Stanislav Shatalin, Leonid Abalkin, Stanislav Asserkritov, Vadim Bakatin, Vladimir Kiryushin, and Martin Shakkum and joined by the Federation of Independent Trade Unions—Mikhail Shmakov and the Universal Confederation of Trade Unions—Vladimir Shcherbakov: "Social Guarantees Under Threat Again"]

[FBIS Translated Text] In connection with the RF Ministry of Finance's preparation of a package of documents to change tax law the International Foundation for Economic and Social Reforms (the Reform Foundation) has come forward with a declaration.

Among other things it calls attention to the RF Ministry of Finance's proposal to draw the resources of the funds for mandatory medical and social insurance and the fund for public employment into the federal budget. The refers to more than 60 trillion rubles [R] which is used exclusively for social needs. The proposed measures represent an attempt to right the existing economic situation and reduce the budget deficit by another assault on the social rights of citizens.

The Ministry of Finance's arguments in defense of their plan do not withstand critical analysis.

First, they claim that joining the resources of the funds with the budget will make it possible to eliminate duplication of expenditures and reduce the tax burden on enterprises.

In reality no such duplication is occurring. And the tables for deductions into social funds are not, strictly speaking, taxes and are not perceived as a tax burden. Of these funds 70-80 percent remains at the disposal of the enterprises and regions.

Second, the nonbudget funds are supposedly staffed with unqualified personnel who do not assure full collection of revenue and do not use the money for its direct designation.

But this is not true either. Numerous audits have been done and they have failed to uncover instances where money was used for other than its designated purpose. The percentage of money collected is significantly higher than for the tax inspectorate. The uncollected amounts are a result of general economic factors, including the existence of concealed forms of labor payment which are inspired by the need to avoid excessive taxes.

Third, the money of the funds is supposedly not being fully used, whereas in the budget it would be spent in its entirety.

Indeed, the funds economize and have savings. This is an essential condition for their budgets to be deficit-free and for full, timely social payments.

The fourth argument is only given orally. The funds, they say, are "running" free money through the commercial banks and using the profit for personal ends.

No proof of such mercenary use is presented. As for the circulation of money, that is exactly why it is put in the bank: so that the income it brings will increase the amount of capital directed to social purposes. The Ministry of Finance itself uses this practice in relation to budget capital.

The Reform International Foundation considers it necessary to declare that this new attempt at nationalization of enterprise money does not fit the logic and spirit of the reforms. It contradicts world experience. Private, public, cooperative, joint-stock, and other enterprises, when they make deductions to social funds, are insuring their employees on behalf of the employer. This is the insurers' money, not the state's. And they have the right to give a firm "No" to such infringements.

The fiscal goal being pursued by the Ministry of Finance comes into conflict with the principles of federalism. The regions and enterprises today dispose of the predominant part of the resources of nonbudget funds. If real money is taken from the subjects of the federation and concentrated in the federal budget, then they should also be relieved of the responsibility for solving social problems. Otherwise we are returning again to the problem of the Center and the regions, making the latter exclusively dependent on Moscow officials.

And finally, will things be better for the citizens with this innovation? We are convinced that things will be worse. And if social assistance (even though beggarly) is still being paid today, it is thanks to the fact that the funds are outside the budget! Money flowing from the budget moves along channels behind which stand powerful lobbying groups. As a result the guarantee level of social payments will drop sharply.

We are convinced of the need to regulate the activity of nonbudget funds legislatively and to create an incentive and monitoring system. But they should be factors that enhance, not weaken, the social protection of the population.

State of Domestic Gold Market Examined

954F0203A Moscow SEGODNYA in Russian
25 Oct 94 p 13

[Article by Anastasiya Naryshkina: "Still Quiet on the Domestic Gold Market: It Remains Unaffected by Jumps in the Exchange Rate and a Sensational Reuter Report"]

[FBIS Translated Text] A report circulated by the Reuter news agency that Russia supposedly intends to halt gold exports has caused a lot of commotion in certain quarters. According to the agency's figures, Valeriy Skripchenko, head of the Scientific and Technical Division of the

Committee on Precious Metals and Precious Stones [Roskomdragmet], stated that the committee "is considering the possibility of selling gold only within our own country, at a price of roughly \$20 per gram." In addition he stressed that currently Russia is selling gold abroad at \$12.50 per gram, whereas domestically it is being snapped up at \$30-40 per gram.

According to Yuriy Kotlyar, first deputy chairman of Roskomdragmet, Mr. Skripchenko has told him that he never made any such statements. More precisely, Mr. Skripchenko's idea regarding establishment of a domestic gold market was "not properly understood," resulting in the statement issued by the agency, as well as a slight shock at Roskomdragmet in view of the possible effects. Unfortunately, at the time a SEGODNYA correspondent visited Roskomdragmet Mr. Skripchenko was away on business, so efforts to find out his opinion were unsuccessful. However, as Mr. Kotlyar kindly reported, Valeriy Skripchenko was only talking about establishing a "Gold Club of Russia," the members of which would be potential buyers and sellers, including banks. After noting the distortion of the information originating with Mr. Skripchenko, Mr. Kotlyar also explained why it would be impossible for Russia to behave in such a manner in the foreign market.

Russia has traditionally been one of the largest gold exporters, producers and consumers (incidentally, that combination of all three types of activity is unique). It exports a minimum of 25 percent of its production (1994 mining quotas are 156.8 metric tons). The money received from the sale of this 25 percent is used to pay the producers, so reducing export volume below that level would hardly be possible at this time. In addition, the state may also sell a certain quantity of gold for other purposes. Generally, average annual exports vary between 50 and 60 metric tons. There is a balance between production, exports and consumption, disruption of which is fraught with unpleasant consequences. In the opinion of Mr. Kotlyar, the country is not in a position to consume all the gold it produces, nor can we afford to constantly allow gold reserves to increase, as happens in the United States. Furthermore, leaving the gold market for even a little while means losing your place in it forever—it will be taken immediately.

In response to the question of how realistic are the domestic prices quoted in the Reuter report, Mr. Kotlyar said that the amount of money circulating in this country would probably cause some increase in those prices, if gold were suddenly released into the market. This SEGODNYA correspondent has never heard of it being sold legally at those prices.

Yet Another Statement

The press has picked up yet another curious statement, this one from Viktor Sych, director of the Lvov Jewelry Factory, who reported that beginning in 1995 Ukraine will stop purchasing precious metals from Russia. Mr. Sych justified that step by citing the excessively high prices that

our country is allegedly setting for this commodity. However, it is a well-known fact that Russian precious metals prices are calculated on the basis of world prices, recorded from the 10th through the 25th day of each month and multiplied by the average dollar exchange for the same period. Mr. Kotlyar directed this SEGODNYA correspondent's attention to the fact that new prices are set with a slight delay, and as a rule are below world prices by 5-7 percent. Thus it would be rather strange for Ukraine to give up that price advantage.

Incidentally, Mr. Sych's statement makes one suspicious for another reason as well. As a rule, such serious statements should come from at least the head of the agency in question, not from the director of one enterprise, particularly since the jewelry industry is not among the most serious consumers of precious metals. For example, in Russia the amount of gold used in jewelry has been less than 10 percent of production recently, while a very significant portion—as much as 40 percent—used to go to the electronics industry, aerospace and missile technology and other serious sectors (now, due to declining output, that figure is smaller). Thus it is unlikely that the director of even a well-known jewelry factory would be authorized to report the termination of state purchases.

Currency Games: A Gift to Producers From the MMVB

Mr. Kotlyar characterized the widely-publicized events at the MMVB [Moscow International Currency Exchange] as "games," noting that by and large they have no bearing on the price of precious metals.

However, one could say that for producers—though not for consumers—those events were a boon, because they occurred between the 10th and the 25th days of October. The horrendous dollar exchange rate that existed during that period is one of the indices used to calculate the average exchange rate and the new price, which will as usual be set on 1 November. Thus producers will have an advantage, while customers will have to pay dearly in November for the MMVB's games in October.

Prices Are Going Up Around the World, and Here, Too

Recent events on the gold market have unfolded as follows. During the first half of 1994 accounting and wholesale gold prices rose by 58.2 percent. During the first 10 months of the year prices rose by 88.5 percent (during the same period last year they increased by 230 percent), and it should be noted that a change in world prices affected this process. It is typical that, as Mr. Kotlyar reported, the Reuter report also contributed to the increase in the price of gold, with the result that the world community was almost faced with the prospect of paying \$400 per troy ounce of gold. However, thanks to the efforts of Roskomdragmet, which quickly refuted the report, things did not go that far, and London prices held at approximately \$395 per ounce, a level that had been reached previously.

In short, over the past month everything has occurred fairly traditionally, and experts with Roskomdragmet do not see any reason to expect any very serious price

increases, as the upward trend emerged several months ago and the increase in the price of gold is staying within the bounds of that trend. The difference between graphs of the ruble exchange rate and the accounting price of gold graphically reflects the causal relation between the exchange rate and world prices, on the one hand, and the domestic price, on the other.

Changes in Precious Metals Prices, 1994

Month	Gold, 1000s of Rubles per Gram		Silver, Rubles per Gram	
	Accounting	Wholesale	Accounting	Wholesale
January	15417	15571	205	207
February	17452	17827	238	240
March	19312	19505	271	274
April	21368	21582	309	312
May	21622	21838	312	315
June	23042	23272	341	345
July	24402	24646	353	357
August	25051	25648	352	357
September	25907	26166	363	367
October	29082	29353	422	426

Provisions of New Labor Code Assessed

954F0172B Moscow ROSSIYSKIYE VESTI in Russian 25 Oct 94 p 1

[Article by Yelena Vasilkova: "A Person Has To Protect Himself. The New Labor Code Will Help"]

[FBIS Translated Text] No matter how good our old Code of Laws on Labor was, under today's conditions it often bogs down. How could it be otherwise? Previously, for example, we did not have private enterprises, did we? For that reason our fine, excellent labor normatives stopped working.

"The situation demanded immediate legislative measures to accommodate today's realities and meet market conditions of management," said First Deputy Labor Minister Valeriy Kolosov.

So staffers of the Russian Federation's Labor Ministry and the Academy of Social Sciences worked for two years to draft a new Labor Code.

Academy Vice President Boris Breyev had this to say: "The Labor Code is a set of rules governing the behavior of the employer and the employee, agreed on in advance by both sides and mutually binding. Both the employer and the employee bear liability for violating any rules.

The drafters' chief concern is to make it possible for the person to protect himself. For example, against unjustified firing.

The draft Labor Code calls for both pre-court and court procedures of examining labor disputes. The chapter titled "Individual Labor Disputes" consists of several articles

which lay out in detail the nature of bodies of pre-court review of labor disputes and the timeframe in which a worker can appeal to them, and which labor issues the court decides.

The draft of the new Labor Code is generally written in simple, human language which anyone can understand. Probably every home ought to have a copy. Persons using it can find out about the labor rights and obligations of both the worker and the employer, labor contracts, pay and labor discipline, guarantees and compensation (including for women), labor protection, work times and rest times. The Code stipulates, for example, that our holidays now are 1 and 2 January, 7 January, 8 March, 1 and 2 May, 9 May, 12 June, 7 November, and 12 December.

One of the basic differences between the Labor Code and the Code of Laws on Labor is that the employer is obliged to provide professional training and upgrading of workers' qualifications and, when necessary, training them in a new profession directly on the job or in vocational educational institutions in accordance with the enterprise's social plan, but at least once every five years.

"This will make the employer think about cadres," Valeriy Kolosov remarked.

This also serves to solve the problem of youth unemployment.

The Labor Code also protects persons who do not get paid. This problem is of concern to many now. Article 88 reads: A worker has the right to stop working if his pay has been held back more than 10 days from the end of the month for which he should have been paid, with compensation for the time spent not working which was not the worker's fault.

The new Labor Code will make it possible to create an independent labor justice system.

The draft Code also calls for state measures designed to prevent hidden unemployment from taking overt forms. The draft Labor Code distinguishes between the minimum wage and an enterprise's minimum rate. As a social norm, the minimum wage is set by federal law all over Russia and is used as a measure of protection in regard to minimum allowable levels of pay. When setting a minimum rate (salary), the employer must set it at a higher level.

It is planned that the new Labor Code will go into effect from 1 July 1995, after the Russian Federation government submits proposals to the State Duma of the Federal Assembly of the Russian Federation on bringing the laws of the Russian Federation into line with the new Labor Code.

Property Fund Chairman Sokolov Describes His Role, Tasks

954F0194A Moscow ROSSIYSKAYA GAZETA in Russian 26 Oct 94 pp 1-2

[Interview with Vladimir Sokolov, chairman of the Russian Federal Property Fund, by A. Yevgenyev; place and date not given: "I Am Selling Factories, Palaces, Ships"]

[FBIS Translated Text] Today our editors' guest is Vladimir Sokolov, chairman of the Russian Federal Property Fund.

He was born in Sverdlovsk, where he graduated from the School of Engineering Economics of the Urals Polytechnical Institute. He himself admits that he is more a VUZ [institution of higher education] teacher by orientation. He defended his dissertation and then worked as a senior lecturer until he was invited to become a lecturer for the Sverdlovsk Oblast Party Committee [obkom]. Naturally, journalists have not failed to inquire, "Was that under Yeltsin?"

[Sokolov] No, Petrov ran the obkom then. I met Yeltsin only twice. On one occasion, about a year and a half ago, he asked me, "Do you think that property funds ought to be under the executive branch?" I said, "Yes, I do." Apparently that brief interchange determined my subsequent fate. Last November, after the Russian Federal Property Fund was subordinated to the government, I was appointed its chairman by presidential edict.

[Yevgenyev] You mean you guessed?

[Sokolov] That is not the point. I was not trying to guess. Before my transfer to Moscow, I was chairman of the Sverdlovsk Oblast Property Administration Committee. We were in constant contact with the federal fund, and I had the impression that our partner in the capital, which was subordinated to the Supreme Soviet, was playing some kind of strange double game. Many packets of shares that we were supposed to have sold inexplicably disappeared and wound up in the fund's offices. Some things were frozen or never returned under various pretexts. I will say by way of comparison that when a group of my colleagues and I came to the fund, we analyzed the situation and within four months had sold shares worth R4 billion—more than for all of 1993. The territories did even more, because we increased the authorities of the local funds.

[Yevgenyev] But what has come of it? Is the Russian Fund wholly subordinated to the State Property Committee (GKI) now?

[Sokolov] In what way? In the need to hold sales? That comes from the law mostly. We are tied to the GKI technologically. As an executive organ, the GKI makes decision about confiscating property, and we enter in as seller. As I have already said, the fund is subordinated to the government. Deputy Prime Minister Chubays is in charge of it, not GKI Chairman Chubays.

[Yevgenyev] Are you saying that there is a difference?

[Sokolov] We have the right protest GKI decisions in arbitration. Naturally, we try to resolve our differences in normal working procedure rather than let matters go as far as court. The fund has a strong group of specialists who work in conciliation—and not only in the event of imprecisions in decisions. Both these organs are obligated to observe the laws strictly. Conciliation goes on while normative documents are being prepared as well.

[Yevgenyev] One of the constructors of Russian privatization, Petr Filippov, once said, "We have put a positional conflict into the Law on Privatization. The property funds are under the soviets, but the property administration funds are under the executive branch."

[Sokolov] My personal quarrels with Petr Filippov have their own history. On the eve of the Supreme Soviet's passage of the Law on Privatization, which was where these positions arose, I asked, "What is this for?" And he answered, "So that everyone can watch each other and no one steals." Matters had not reached the point of theft, thank God, but to be honest, there was another reason for that. The fact of the matter is that one of the main principles laid at the base of Russian privatization—the massive scale of the process—cut any bureaucratic red tape to a minimum and with it any possibility of fooling around with privatization claims for selfish purposes.

Now, with the conclusion of the check stage of privatization, something else has become clear. The system of work with privatization checks is work based upon an artificial payment demand. Under these conditions, the organization of sales was in many ways a purely administrative matter.

Today the Russian Fund must sell property for money. Clearly, the country's investment demand and investment resources are not very great, including due to various scandals, such as with MMM, which provoked a drop in confidence in securities.

If the idea of separating the committees and funds from beginning to end belongs to Petr Filippov, then he has very simply proved a prophet: Now the Federal Property Fund and the local funds are trying to operate in the securities market, competing with commercial structures, and getting more and more actively involved in the market. I have the same task as the businessman: He is supposed to extract a ruble, and so am I. But he is extracting the ruble for himself, and I am extracting it for the state, and only 4-5 percent for myself. Right now, with the transfer to monetary privatization, it is becoming very clear that the essence of the relations between the committees and the funds lies not in positional conflicts but in purely economic notions, differences in tasks and methods of operation.

[Yevgenyev] These 4-5 percent for your earnings is the guarantee that you will sell the property at the greatest profit?

[Sokolov] The opportunity for the seller to have an interest in the results of his work cannot be denied. His expenditures require it as well—for advertising, for example.

What is important is something else, though. Today the enterprises themselves are paying close attention to the those prices at which their shares are sold. If the price for them is high enough, this is an indicator of a unique popularity, relative economic prosperity, and a bright future for the business.

Moreover, some of the earnings from auctions are already being returned to the enterprises today in the form of investments.

[Yevgenyev] But has anyone calculated what portion of property should be put up for sale, say, this year, or next, so that it does not go too cheap?

[Sokolov] Marketing specialists are working on this, but the situation in the economy is changing very quickly. The makeup of individuals who might potentially be considered buyers on the privatization market is changing. Today the population is converting as much as 20 percent of its earnings into various types of investment and hard currency savings. Research shows that only 6-7 percent of Russians are planning to acquire shares in privatized enterprises.

Today, however, the enterprises that have already gone through the stages of privatization are acting in this capacity more and more, and foreign investors are getting significantly more interested in the Russian securities market.

[Yevgenyev] Can I ask you a personal question? Where did you invest your voucher?

[Sokolov] I gave it to family members. I did not interfere. I watched to see how they oriented themselves. I can say that my people at home responded to advertising.

[Yevgenyev] From your workers—here and in the territories—you often hear: Hand the case over to arbitration, go to court. Do you have insufficient rights?

[Sokolov] If you look at us objectively, we seem to be shying away from our responsibility. But it is not all that simple. There is an abyss of issues connected with property rights, property transfer, and the decision-making procedure for joint-stock companies that have not yet been prescribed by legislation.

Since there are no applicable legal standards, appeals to arbitration are simply mandatory. Yes, realistically this leads to delays in decision making. But if you do not clarify a situation with the court's help, then you could run into an even greater danger: The decisions could be legally incompetent. Imagine what would happen if in a few years the new owner were shown that he had no right to own his property. A tragedy. Therefore, even I myself in such cases suggest going to arbitration immediately in order to build the processes on a solid foundation.

[Yevgenyev] Does it not seem to you that privatization in Russia began in a legal vacuum?

[Sokolov] I agree. I know from my own experience how to begin in a legal vacuum. In 1990, when there was no applicable law, I joined the Kirov Rayon Congress of People's Deputies in passing a decision to privatize four stores in Yekaterinburg. Those poor people are turning somersaults to this day; for years anyone could come along and give them a good kick.

Today a legal package of enormous volume—a law, edicts from the RF [Russian Federation] president, and normative acts on privatization—have been worked out. But the capable lawyer knows that it is always helpful to make use of the entire legislative code. One does so in search of the truth; another to find loopholes. Therefore, the conversation today about the need for a new Civil Code is no mere coincidence.

Some matters will have to be handed over to the peace-keeping organs, and work will have to be done directly in shareholders meetings, in meetings of boards of directors, and in consultations. The legal culture of our average statistical citizen is not at any great height. Recently I ran across one document from my native Sverdlovsk Oblast. "We, the labor collective of such-and-such an enterprise, have gathered in a shareholders meeting, and decided ..." That is the kind of casuistry I mean. It has never occurred to people that a shareholders meeting is something very different from a meeting of the labor collective. It has different intonations, different motifs, and a fundamentally different responsibility.

[Yevgenyev] Do you remember Chubays' prediction about the two Volgas for one voucher?

[Sokolov] Let me cite an example with the Rostelek AO (joint-stock company). The shares, whose value after dividing them up was set at R12.5, were sold at a currency auction for more than U.S. \$6.00 apiece. While a single privatization check would by no means get you one share.

On the whole, however, I can assume that Chubays himself regrets what he blurted out. Unfortunately, the privatization idea was perceived as the whole idea for solving the issues of social security. That is not its essence. The state is rejecting its responsibility for the result of the activities of economic subjects and is putting land and buildings into economic circulation—in the name of the emergence of the real property owner and of improving the economy's efficiency. Privatization does not solve privatization issues as such, but it does create the necessary prerequisites for their resolution. To curse privatization for not yielding anything, as some people do, has given rise to indignation. Privatization was supposed to give rise to indignation and initiate corresponding actions in the economic and social spheres. But much of what ought to have developed in parallel with privatization has proved difficult to bring about in full.

[Yevgenyev] Could you name the regions or funds that are working most interestingly, carrying out serious investment projects, trading skillfully?

[Sokolov] I cannot name a territory that is today a "conqueror of socialist competition." We are not awarding a challenge banner. With respect to the organization of work with investment projects and programs, some interesting ones are Moscow and Sverdlovsk oblasts and St. Petersburg. Nearly everywhere today, work is proceeding with 15-20 percent of the shares that were envisioned by privatization plans as an object of competition for investment

competitions. This is virtually piecework, and it is carried on, as a rule, in the concluding stages of an enterprise's privatization.

[Yevgenyev] Are you at peace and accord with all the regions?

[Sokolov] Not all. There is a conflict with the Ivanov Oblast, for example, where the head of the administration has decided to eliminate the oblast property fund. He has followed the line of "straightening" the channels of administrative influence. He feels that by doing this he will achieve maximum administrative effect. However, this makes the local privatization organ less mobile and competitive in the investments market. The administration head does not recognize that it is impossible to order investors to invest their money in the enterprises of Ivanov Oblast. The time has come for other methods.

EU Findings on Sheremetyevo-2 Reported

954F0186A Moscow IZVESTIYA in Russian
26 Oct 94 p 15

[Article by Viktor Belikov: "Sheremetyevo Will Remain the Country's Main International Airport Even in the Twenty-first Century. This Is the Conclusion of Experts from the European Union After Two Years of Studying the Activity of Moscow's Air Harbor"]

[FBIS Translated Text] The European consultants presented their conclusions and proposals in a detailed document or report which was conveyed on 24 October to representatives of Moscow and the Russian government, and officials of the Department of Air Transport and the Sheremetyevo Airport. The presentation was accompanied by abundant illustrative material and charts, one of which is reproduced here [not reproduced in the translation].

Half a year ago, by decision of the Russian Federation government the Sheremetyevo Airport was completely detached from Aeroflot—Russian International Airlines (now abbreviated to ARMAL) and was given the status of a joint stock company with 100-percent state capital. Although the process of dividing the property with ARMAL dragged on way too long and, as often happens, proved to be quite painful, the airport's management did not sit idly by. In particular, it continued actively to cooperate with a group of experts of an EU [European Union] Commission, made up of authoritative specialists from Brussels's [name illegible] Airport, whose characteristics are much like those of Sheremetyevo. The experts' two years of work were funded by the EU under a program of cooperation with the CIS countries.

The principal conclusion of the EU group categorically rebuts the unreliable "verdict" handed down recently by several American consultants concerning Moscow's international airport. They "advised" turning it into a purely cargo-handling airport, transferring all foreign passenger flights to ... Domodedovo. The Brussels specialists, contrariwise, affirm that the airport's nearness to the capital city and the presence of solid transport communications (the Leningrad Highway and the Oktyabrskaya Railroad),

and the planned free economic zone nearby in Solnechnogorskiy Rayon near Moscow, all afford objective advantages that guarantee good prospects for the Sheremetyevo Airport at least 30 to 40 years into the future.

These knowledgeable EU aviation experts, headed by E. Kirsch, the president of the European Association of Airports, pointed up Sheremetyevo's principal advantage—two runways capable of receiving airliners of any class. This factor, they believe, is crucial in determining the airport's productivity, which could be made substantially higher than now.

Here are some figures: during peak hours, about two dozen takeoffs and landings are made. If the air traffic control equipment is modernized to meet European standards, the runways' capacity can be nearly tripled—to 56 takeoffs and landings per hour. In other words, the airport can handle 21.3 million passengers a year.

Right now, as we know, Sheremetyevo-2's terminal has trouble accommodating departures and arrivals of five to six million passengers a year. It is believed that its capacity was exhausted long ago, and it is badly in need of remodeling, which has been delayed due to lack of funds. Without denying that necessity, the report of the Brussels people sheds new light on the problem. Even without additional investments, but merely by improving the terminal apron where the mobile ramps are moved, for example, it would be possible to increase the capacity of the present complex to 8.5 million passengers a year.

All it will take is to reduce the amount of time necessary to board and deplane passengers, speed up the formalities of documents and baggage handling, and avoid having airplanes stand idle at the ramps. It is also recommended that all passenger flights be shifted from the Sheremetyevo-1 terminal to the southern terminal of Sheremetyevo-2. The whole northern zone which abuts the airfield should be turned over to the construction of warehouses, loading facilities, and other infrastructure of the cargo shipment sector, as shown on the chart. This will immediately separate the flows of passenger transport and heavy trucks, trailers, and container carriers, and lighten the load on the roads.

It is proposed that adjacent reserved lands between the airport and Moscow be used to build additional aircraft parking places, install a centralized fueling system, and expand the ground equipment base. In the sector bounded by the two approach highways, nearby to the existing Novotel Hotel, it will be necessary to build another hotel and a multi-level parking garage.

In the first stage of transformations (the next three to five years), the present eight-story terminal complex is fully capable of accommodating an annual flow of passengers increasing to over 13 million passengers, the experts believe. To do this they recommend removing all the offices not directly involved in receiving and sending air travelers, and to make more rational use of the upper stories thus made available. To accommodate the offices of foreign airline companies, moreover, they recommend

erecting an administrative building nearby, to be funded by a 35-million-dollar loan recently arranged by an agreement with the Italians.

Funds to remodel the airport itself, and its facilities, including passenger terminals, can largely be obtained (up to 50 percent), following international practice, from what is known as concessions—granting the right, on a competitive basis, to post advertising, open stores, cafes, and restaurants, and organize business centers, offices, and parking lots. It is worth noting that in response to a question which this newspaper's correspondent asked during the press conference, concerning just who is getting the income from the duty-free shops at Sheremetyevo-2, the answer was that it all goes to ARMAL and its Irish partner; the air terminal doesn't get a penny from this source of hard currency....

If exploitive terms like this, left over from the time of state monopolism, continue to burden the independent economic activity of Sheremetyevo, Russia's capital city is going to wait a long time for a modern, international-class airport.

Problems Retarding Export of Uranium Viewed

954F0187A Moscow MOSKOVSKIYE NOVOSTI
in Russian No 38, 11-18 Sep 94

[Article by Arkadiy Sosnov: "But Who Gets Russia's Uranium? We Have So Much That We're Ready To Sell It at Half Price"]

[FBIS Translated Text] Capacities of Russia's uranium industry are about twice as great as her current needs. First, Chernobyl sharply slowed down the development of nuclear power, and instead of the 200 AES [nuclear power plants] units planned for the end of the century we have only 28, with a total capacity of 21 million kwt. Secondly, in 1988 the production of high-grade uranium for nuclear weapons was halted: present stocks proved to be fully sufficient to maintain combat readiness.

It's understandable, therefore, why Russia wants to export not only natural uranium but also uranium-enrichment services. In this case, the raw material to be delivered to the clients is brought to a concentration of 3 to 5 percent of U-235, necessary for nuclear power. The first such agreement was signed with France back in 1973 (at that time the USSR and the U.S. were the world's only producers of enriched uranium); that was followed by contracts with other European countries. And by the early 1970s, about 15 percent of the sector's production facilities were producing for export. But our competitors were not sitting still either: enrichment plants were built in France, Great Britain, Germany, and Holland (the EURODIF and URENKO consortiums), which succeeded in grabbing some of our orders and reducing Russia's share of the market for enriched uranium to 5 to 6 percent.

No less dramatic were the collisions in the world market for natural uranium, where the crisis of overproduction has also been exacerbated by disarmament and the mistrust of nuclear power. Russia did not enter this market

until 1990 (before, we had banned uranium ore exports as a strategic raw material), but we squeezed suppliers from the U.S., France, Canada, Australia, and China, chiefly due to lower prices. In the U.S., where we shipped 60 to 70 percent of exports, this led to a loss of jobs and the closing of a number of mines.

"America simply did not expect that such large amounts of Russian uranium would come in," said Dan Collier, the president of Nuclear Assurance Corporation. "Prices fell below the level necessary to justify production, and nobody could stop them."

Uranium producers demanded that the U.S. government take measures against Russian dumping. After an investigation carried out by the Department of Trade, in 1992 a duty in the amount of 116 percent was imposed on Russian uranium brought into the U.S., thus virtually eliminating further deliveries.

This year, a new agreement was signed with the Americans: we sell the ore to them at the old prices, they mix it with their own, which is twice as costly, and export it to third countries. Russia and the U.S. divide the profit from these deals in the ratio of 1:2. These terms, according to Yevgeniy Minkerin, chief of the Fourth Main Administration of Minatom, are exploitive, but... we have to sell our uranium any way we can. Otherwise, the miners and cities which make a living off it will have no livelihood.

Incidentally, at Russia's only uranium mine—in Krasnokamensk near Chita, production has fallen from 5,000 to 3,000 tonnes per year. Four enrichment combines—near Yekaterinburg, Tomsk, Krasnoyarsk, and Ungarsk—are working at 40 to 45 percent capacity. The Americans "at the same time" imposed high tariffs on shipments of enriched uranium from Russia. Basically what is saving us are long-term agreements with European countries (with France, which generates about 80 percent of its electricity in nuclear plants, the contract was signed through the year 2010). But they are demanding reduced prices in order to maintain the same volume of sales; we will have to make concessions here as well.

The reason for the West's interest in Russian exports is this: **with comparatively low costs we have a highly perfected technology of uranium enrichment, and in 20 years of sales we have not had a single complaint.** Gordon List [surname transliterated], the head of the prestigious World Market in Nuclear Fuel, says that uranium shipments from Russia are a basic factor determining the state of international trade in the next few years.

The founders of the World Market in Uranium Fuel are 87 companies in 18 countries, representing all stages of the nuclear cycle—they successfully regulate trade in uranium by agreeing on prices and trying to prevent interference by politicians and governments. The exception in Russia's case is considered justified: otherwise, the U.S. uranium industry would be done for. In the early 1980s it employed 22,000 persons; now that's down to less than a thousand. The maximum uranium production used to be 19,000 tonnes per year; now it's down to 2,000 to 3,000.

"Until recently we were afraid the market would be overwhelmed and conquered by suppliers from Russia, where production was structured on laws different from ours," Gordon List acknowledges. But curiosity overcame fear, and participants in the organization, for the first time in 21 years of its existence, gathered in Russia in order to get first-hand information about our uranium complex, which was closed tightly until recently, and arrange a constructive dialogue.

A search for balance is necessary also because the CIS countries are playing a bigger role in the uranium market. Since the collapse of the USSR, Russia has accounted for about one-third of uranium production in the CIS. Our neighbors in Kazakhstan, Uzbekistan, and Ukraine are also "coming out" thanks to reduced prices—lower, in fact, than Russian prices.

Until now these sales were handled through Russia's Tekhsnabeksport Company, which coordinated delivery volumes. Since 1 January 1994, the republics have started independent deliveries of radioactive materials to the world market.

Albert Shishkin, the president of Tekhsnabeksport, has this eloquent characterization of relations among exporters of the CIS: **not cooperation but clumsy competition.** The fact is that Russia has the world's biggest uranium-enrichment plants, while the republics, which don't have any, are forced to "get in our way" with their own, unenriched ore. Russia could have accepted it for enrichment, but Russia has its own surplus of natural uranium.... It may be that former members of the old USSR will prefer to operate through the World Market until they are able to create a similar organization within CIS.

Specialists of Minatom think that Russia is capable of annually supplying the world market with up to five tonnes of natural uranium and 10 million separation work units—that is, provide about one-third of the world's low-enrichment uranium needs and, consequently, obtain huge profits. Right now, however, Russia's share is the aforementioned 5 to 6 percent; such is the distance between desire and reality.

Outgoing IMF Director on "Standby" Credits to Russia

954F0208A Moscow SEGODNYA in Russian
26 Oct 94 p 1

[Article by Konstantin Kagalovskiy: "'Mr. Camdessus and the 'Seven' Are To Blame for the Failure of the Credit Package for Russia': Commentary by the Former IMF Executive Director from Russia"]

[FBIS Translated Text] On Monday, 24 October, at a directors' meeting of the International Monetary Fund, a decision was made to increase Russia's access quota for "Standby" credit up to 100 percent of its quota in the fund's capital. This allows Russia to receive \$6 billion in credit. The situation that developed after the annual meeting in Madrid concerning IMF credit, which the

Russian Government is trying to obtain, is commented upon by Konstantin Kagalovskiy, IMF executive director, who is now concluding his term at this post.

Before the IMF meeting in Madrid, Russia set itself the goal of obtaining a package that consisted of four parts:

1. To increase the access quota for "Standby" credit to 100 percent of the quotas for countries with authorized capital in IMF (as compared to the current 68 percent).
2. In a similar way, to increase the access quota for "transitional" credit—STF (as compared to 50 percent at the present time), and to thus obtain the third STF tranche.
3. To implement the supplementary issue of Special Drawing Rights (SDR) for countries that did not participate in previous issues. To do this it is necessary to amend the IMF regulations, which can be done only with an 85 percent majority of the vote.
4. To determine the conditions under which Russia would receive a stabilization fund in case it decides to fix the ruble exchange rate.

This package failed in Madrid, and Mr. Camdessus, IMF director and manager, and the "Seven" are equally at fault for this. At the last moment we were able to pull from the package the problem of "Standby" credit, which was successfully resolved today.

The main problem developed, as expected, around the SDR. Russia originally supported selective issue only for those countries that had not received their share because they joined the IMF later. The "smaller" countries, which Mr. Camdessus actively supported, insisted upon a general issue. The "Seven," with the exception of Germany, which in this case has exhibited more understanding of the Russian position, supported a general issue plus selective SDR issue for a sum of 25 billion. Developing countries are dissatisfied with such a plan.

We warned ahead of time that such a situation could develop. Prime Minister Chernomyrdin, in a letter to Chancellor Kohl, cautioned that a confrontation between groups of countries should not be allowed to take place because in this case any decision would be blocked.

Russia proposes that with general and select issue, the SDR issue sum be increased to 30 billion. Then there will be an opportunity to satisfy the group of "small" countries and to deal fairly with Russia's interests.

The essence of Russia's position on IMF credit is the following: We must have the opportunity to decrease limitations on the use of all types of credit. For example, "Standby" credit is usually credited to a country's foreign exchange reserves, but we need the opportunity to use it to finance the budget deficit. This will realistically enable us to crush inflation. As for the "stabilization fund," if we have the opportunity to introduce a fixed ruble exchange rate (and this is possible with implementation of the 1995 budget proposed by the government, under the condition of adequate IMF support), we must have the opportunity

to access this fund, as is the case with government and bank foreign exchange reserves.

It is quite evident that solutions to these problems must be found by the end of the year. This is essential for Russia, for the IMF, and for the "Seven."

I think that Mr. Summers, U.S. Treasury under secretary for international affairs, who has been sent to Moscow, will not be arriving empty-handed.

Today the problem of political cooperation between Russia and the "Seven" has already been solved. After Naples we can speak of the existence of "eight" in a political sense. As for economics, today Russia is involved above all in domestic problems and its influence on the outside world is limited. The fact is that the makeup of the "G-7" is determined by the degree of influence their participation in the world economy has. When the transformation is complete, Russia will naturally and unavoidably join the "Seven," and all the senseless discussion on this subject will be over. I am sure that this will happen in the next one to two years.

I would like to add that in leaving this government post I am especially pleased to place the reigns into such good hands. The executive director from Russia elected in Madrid, Dmitriy Tulin, former deputy chairman of Tsentrobank, has the professional qualities that are needed to get the job done. I am sure that none of my successors will have problems in becoming oriented to their work because they will have the support of a splendid team of professionals working in the IMF Russian director's office.

P.S. The editors of SEGODNYA have learned that Mr. Kagalovskiy will take the position of first deputy chairman of the Menatep MFO [Moscow financial department] administration on his return to Moscow.

IZVESTIYA Analytical Center Views Causes of Rising Crime

954F0120A Moscow IZVESTIYA in Russian
18, 19 Oct 94 p 5

[Article by IZVESTIYA Analytical Center in two installments under the general heading "Criminal Russia"]

[18 Oct p 5]

[FBIS Translated Text]

An Unlimited Number of Times in the Redistribution of Property

Polls of the public attest to the fact that the problem of crime worries people no less than inflation and price increases. There are many factors, both real and mythological in nature, which are involved here. For many years Soviet propaganda depicted social life as generally satisfactory, darkened only by isolated problems. The lack of reliable comparative statistics, suppression of the actual state of affairs against a background of selective publicity on the most offensive crimes and punishments for them created the illusion that the party program to eradicate crime once and for all was being realized. The propaganda

portrayed law enforcement authorities in a positive light, with support from all the people. Working people were drawn into the voluntary militia and other forms of assistance to law and order. This contributed objectively to the maintenance of social peace, but it created the outward appearance of well-being to a much greater degree.

However, it cannot be denied that the situation in the country as a whole was significantly more orderly than these days. This was because of the objective circumstances. Under the totalitarian regime, there was no opportunity for the development of crime on a broad scale. Hooliganism, theft, robberies, violence, bribery, corruption, and currency operations existed, and on a rather broad scale. However, crime could not gain sufficient strength to compete with the state's law enforcement system. Even if the criminal environment had ties with law enforcement services, and there were cases of bribery, they were deeply clandestine. Money was influential, but not all-powerful. It was not simple to legalize ill-gotten gains, and it was just as difficult to make use of what had been legalized; there were millionaires, but they were underground, and gangs were formed, but tremendous risk was involved in equipping them with weapons.

Only we should not assume that crime was petty. Let us recall "the cotton affair." Or the "Okean" case, with all its ramifications. Without bribes it was impossible to obtain funds, or credit, or "floor space" for construction. And were trains not being plundered? There was no racketeering? Everything existed. Only everything existed under the surface.

Market relations and a democratic system overran those repressive dams that had held crime's potential in check. Everything that was burning low in its initial state broke loose like steam from an overheated kettle. In conducting economic reforms and legalizing free enterprise and free trade, the state proved to be unprepared for the criminal revolution, and society experienced and continues to experience the shock of crime.

In the unanimous opinion of our experts, the main cause of the criminal revolution has been "dirty money." And even clean money. A great deal of money, including currency of all denominations, has appeared in the country as a whole. But money in itself is not the root of evil. It has turned out that the easiest way to "make good money" is by criminal or near-criminal means. Moreover, this is a relatively safe way. For the first time, operators engaged in illegal business have begun buying off punishment on a wide scale. In principle, positive factors, and not only subjective criminal factors, have also had a role in expanding the field of impunity; it is really harder to convict and imprison in a democratic system.

Frightening, brutal punishments have never had a serious effect on the real level of crime, scientists say. But public executions had an effect on the people's sense of justice and demonstrated the resoluteness and firmness of authority. Something similar has taken place in today's

Russia: Myths have been interwoven with reality. A comforting and illusory attitude toward crime statistics has been replaced by a panic-stricken attitude from being informed. In 1993, a little over 70,000 persons were victims of crime in the streets (robbery and hooliganism), and three or four times more—nearly 250,000—were killed and physically injured in highway accidents. However, citizens use caution in crossing a busy intersection, but they are afraid to take a step in a dark alley. The totalitarian regime's propaganda intentionally embellished the picture, and the free press unwittingly misrepresents it in its pursuit of sensational news. But what is the true state of affairs?

On the first page there is a table of the dynamics of crimes compiled on the basis of data from the Russian MVD [Ministry of Internal Affairs] and Ministry of Justice over a 20-year period. Of course, allowances have to be made for the fact that party proofreaders did not "send to the top" what took place, but what those at the top wanted. All the same, in the experts' opinion, the data cited are sufficiently objective.

From 1976 to 1993, crime increased by 239 percent. But an increase in crime has been observed during both totalitarian and democratic times; a very sharp dividing point is not apparent. There were periods of stabilization and even decline. What caused them? The surge in 1983 may be explained by "the Andropov year"—or more likely, this was a surge in disclosure, not an actual increase. But why did 1987 show a substantial decline (11.4 percent)? That was the year the old system broke down and the state organism fell apart, and it could be expected that the situation would become aggravated. But in 1989 and 1992, did the number of law violations not increase—by 23.9, 32.7, and 27.3 percent, respectively? What is behind these statistics? An absolute mystery. If we compare 1993 with 1989, the increase in crime is 72 percent, but if we compare this with 1987, we obtain 136 percent. In the analysts' opinion, 1993 slowed the rate of increase in crime, just as the first months of this year. Compared with 1990, nearly 1.5 times as many crimes (47.3 percent more) were exposed over the past year; this includes over two-thirds as many murders (67.7 percent), over twice as many thefts of personal property and robberies (110 to 115 percent), and so forth. But the public is not oblivious to this—just the opposite, tension in society is increasing.

The experts believe that a certain decline in the number of thefts is linked with development of the privatization process. To the extent that property is transferred to private citizens, businessmen, and joint-stock companies, their protection is improved. At the same time, not only the range of services in setting up security warnings and reinforcing doors and locks, but the number of private security structures, is on the increase. As of 1 April, 6,605 private security enterprises and security services were registered in Russia. About 26,000 persons have acquired personal licenses to engage in security and detection activity. Moreover, since the stores have become saturated with products, it has simply become harder to sell stolen goods.

People are frightened to go out on the streets, especially during the evening and at night. Over a year, there have been 49,000 crimes against individuals, although the proportion in the total number of crimes is just 5 percent. But premeditated murders increased—13,692 cases were recorded (an increase of 13.2 percent); there were 29,538 cases of severe bodily harm (an increase of 1.2 percent) and 6,154 cases of rape (an increase of 2.5 percent). The number of robbery attacks remained at last year's level—15,478, and the number of holdups declined—64,551. There were 19,319 motor vehicle hijackings (13.2 percent fewer). The number of frauds rose by 170 percent to 34,912 cases. There were 82,956 cases of hooliganism (an increase of 28.1 percent) recorded.

It is apparent from these figures that they are alarming, but they provide a basis for panic only if we do not see the brutal reality behind the statistics. After all, one heading covers a single type of crime, but they vary in scope: It is one matter to burglarize an ice cream stand and quite another matter to rob a bank; or to fleece a drunk and kidnap a child. While the form of crime has not increased quantitatively, it has increased in brutality by several orders of magnitude; murder has become commonplace.

The number of crimes committed with the use of firearms is convincing testimony of this. The statistics show fluctuations here as well, but in general, the figures continue to be significant—about 8,000 cases. More than 1.5 million Russian citizens, primarily youths, are using drugs; there are about 30,000 crimes associated with this, and the rate of increase is over 60 percent. Racketeering is expanding at a threatening rate.

We should dwell on this especially. Several years ago a case on racketeering was heard in Moscow's Krasnogvardeyskiy Court. It turned out to be an odd one. One fellow took a video cassette recorder from another and did not return it; then the owner hired someone to get it back. At that time they called this a racket! The case fell apart, of course. But that was the first sign. Now extortion is menacing in scope. In the first half of 1994, 8,014 cases of extortion were recorded—2,448 more than in the same period last year. More than 1,000 of them were classified as "skilled extortion," that is, by forceful means. Proceedings were brought in 762 criminal cases—twice as many as in the same period last year (356). But it is not known how many racketeers were punished and what kind they were. The activity of 634 organized criminal gangs engaged in extortion was stopped. There are no statistics on which of the participants were put behind bars. As a rule, persons under 30 years of age (60 percent) are the ones involved in racketeering.

A racket is brutal: The blackmailers are prepared to subject a person to torture for good money. But the proportion of such crimes as the taking of hostages, including children, is also on the rise. The statistics are threatening and alarming: In 1993 there were 293 cases of kidnapping for ransom; in the first months of this year there were already 120 such cases. (Only the seizure of hostages for extortion

are taken into account here; the seizure of buses, aircraft, and so forth are under another heading.)

In analyzing the statistical data, it is essential to bear in mind the presence of latent (hidden) crime. Until recently, no regular "measurements" of latent crime were made; "measurements" were conducted in 1991 and 1992 by a VNII [scientific research institute] of the Russian Federation MVD. It turned out that only 40 to 60 percent of the victims of crime had appealed to the militia. Sometimes because an event was minor, but often because of hopelessness: The proportion of unreported thefts and vehicle hijackings was 16.7 percent. Every sixth one! We will not cite the other figures that show the scope of latent crime. But in many respects, they illustrate one phenomenon: The comparison between the statistics of "our limitless crime" with crime in the civilized world.

In 1992, the crime level (the number of crimes per 100,000 people) in Russia was 1,856; this indicator was 5,820 in the United States, 6,169 in France, 7,031 in the FRG, and 7,956 in Great Britain, but in low-crime Japan it was 1,834. Did we turn out to be fine, like Japan? Four times better than Britain and Germany? If we proceed from "the common impression," we may say very simply that the statistics lie. However, as already stated, crimes are concealed because there is disbelief that the authorities are able to take steps, as well as simply fear—it is better to remain silent, and it will be more tranquil.

But of course, there are one or two reasons why you cannot explain the reason for the difference in their and our statistics. Different ways of life, different levels of law and order, the different people involved in criminal activities.

The trends of current crime in Russia are similar to the status and dynamics of crime in East European countries. The development of market relations in most of them is accompanied by sharp intensification of social problems that lead to increases in crime. In Poland, for example, under stabilization and even a periodic decline in crime, negative trends in its structure are being noted. The number of murders is increasing.

According to the Hungarian Ministry of Internal Affairs, the continuous rise in crime is being accompanied by new types of crime that were not typical before, such as racketeering, acts of particular brutality, and clashes between criminal gangs. Unauthorized economic activity is on the rise.

Unemployment can have a significant effect on the status of crime—for them and for us to an equal extent. The increase in the number of criminals among those without a steady income has been over 46 percent in Western countries. Although according to data from official statistics, the proportion of "purely" unemployed people among criminals is no more than 3 percent, the extraordinarily high level of latency in this indicator (hidden unemployment) has to be taken into account. Judging by the trend of a rise in unemployment and curtailment of social programs, we can expect a threefold or fivefold increase in the

number of homeless persons in the 1995-1996 period. They accounted for 27.6 percent of those registered as criminals in 1993.

The intensifying problem of job placement for juveniles may prove to be an extremely negative factor for crime. A substantial number of them are not working or studying. In 1993, over 60,000 students left school for reasons of inadequacy; this was 40 times as many as in 1985.

Our criminal strata have a very dangerous characteristic, however. Their mafia activity is limited by the sphere of illegal and semi legal business, or in any event, business that does not touch the daily lives of wide sections of the public. Our mafia activity penetrates all the pores of free enterprise and trade.

In Saratov Oblast, according to our correspondent A. Kislov, in rayons that should provide hardy wheat for the federal and regional stocks (seven or eight rayons in the Volga region), farm managers and farmers have begun to be terrorized. Criminals are demanding that they be sold the grain at a symbolic price. Otherwise.... The farmers and chairmen have appealed to the authorities for protection, and the oblast Duma has declared an emergency situation in these rayons. However, there are no particular hopes that these measures will be effective.

If the revolution means a change in the forms of ownership and owners, then to a certain extent we may say that a criminal revolution is under way in Russia. Broad sections of the public have been drawn into the process. Over territories that are quite extensive.

[19 Oct p 5]

[FBIS Translated Text]

Crime Bosses Are Occupying Offices

In our first article, we familiarized our readers with the overall statistics on the increase in crime in recent decades and years. Of course, in such a large country, the criminal background should not be identical, if only because of the dissimilarity in geographical, social, nationality, and even traditional parameters. It is not possible to give a picture of each region. Nevertheless, IZVESTIYA's own correspondents give their impressions of what is taking place and where. Their reports do not have systematic characteristics—rather, they are individual episodes and observations. However, certain principles formulated from this entire kaleidoscope support general conclusions.

We may say with sufficient justification that we are living on that "highway" where every now and then the whistles for highway robbers are heard. The crimes range from raids on railroad trains with Zhiguli vehicles to robbery of passenger trains, just as during the times of Batka Makhno; total extortions are under way at the custom houses; the crops are ripening without protection on the fields of kolkhozes and farms; the steel doors of banks are no protection from the raiders, and bankers cannot be protected by an armed guard.

However, the robbers are leaving the "highway" more and more frequently to make themselves comfortable in offices, where a criminal business concludes transactions with legal free enterprise. It may be said for many reasons that a characteristic feature of "provincial crime" is becoming a reorientation of the "crime boss" into a respectable gentleman who gathers tribute from legal free enterprise without losing his coloration as a thief. Indeed, the gangster turns into a banker. Or vice versa.

Our correspondent A. Tarasov reports from Krasnoyarsk Kray. There are 150 criminal gangs operating here, united into five associations. Each one consists of 2,000 to 2,500 persons. They control all the banks and markets, 90 percent of the commercial structures, and 40 percent of the state structures. The city is divided into eight sectors. But these are not simply small gangs of racketeers. Now the well-organized groups have broken into the field of economics. The Krasnoyarsk Union of Commodity Producers has been forced to declare the kray "a zone unfavorable for development of the economy." Because of the overall spread of crime and racketeering everywhere, production is being curtailed and jobs are being cut back. Opposition is being brutally suppressed. Over a 10-day period they removed five general directors and presidents of companies; they shot down V. Tsimik, head of the Krasnoyarsk Trading House, in front of his own home (during the day in the center of town). He had headed over 20 enterprises, including ones in Thailand, Scotland, and Mongolia.

Sometimes the illegal thieves' dens lease offices equipped with computers, hire staffs of clerks, and do not shy away from persons in militiamen's uniforms. The real power today is possessed by leaders of the openly criminal and semicriminal groups, which attests to both the power of the criminal association and the powerlessness of the official authorities. The response to a televised address by the chief of the kray UVD [internal affairs administration] was another murder—R. Nechayev, general director of the firm Vostok, Ltd. But what did the authorities do? V. Faybisovich, chief of the city UVD, believes that all these murders are interrelated and may have been ordered by one and the same client. Frankly speaking, it is too little for a guardian of order: If these are the assumptions, what is the way out for this one client?

Here we encounter a fundamentally new phenomenon, which goes beyond the limits of pure racketeering. The criminals do not simply impose their tribute in absolute amounts—turn over a million and goodbye. They want to have a share. And this is not simply a gang of robbers—this is an interlocking of criminal activities with free enterprise. For example, the Norilsk Nikel RAO [Russian joint-stock company] exercises control in the metals business over the Krasnoyarsk, Bratsk, and Sayansk aluminum plants and the Krasnoyarsk nonferrous metals plant. As you can see, these are not the usual gangs of thieves.

Rivalry is developing at all levels. As the result of decentralization of foreign economic activity, the capital's authorities became aware of the impact of local authorities; they had ceased to take them into account and

communicate with them; it became necessary to return the lost frontiers. (The latest example is the situation surrounding privatization of Norilsk Nikel and Krastsvetmet.) But the criminal world is a third force, which is closer to the local free enterprise structures. The Krasnoyarsk aluminum plant turned out to be under the direct control of an offshore firm registered in Monte Carlo.... First violin in it is being played by Tashkent native Lev Chernyy. The aluminum king controls deliveries of raw material to the plant, and the sale of a strategic product is in his hands. The family of firms established by the brothers Lev and Mikhail Chernyy seeks to occupy the dominant position in the entire aluminum sector.

Against the background of rich Krasnoyarsk, Yaroslavl appears more modest. As our correspondent M. Ovcharov reports, the gangs operating in the oblast have divided their spheres of activity into "coordinating commissions."

In Penza Oblast, A. Kislov reports, three main gangs, headed by "crime bosses," "Leva," "Ustin," and "Shnapak" (rackets, highway robberies, and apartment burglaries), share the criminal power. Each one has 100 to 200 armed gangsters. Though from time to time the Moscow Solntsev gang goes on tour, but it has no special influence. The criminals are practically uncatchable, inasmuch as their people have been placed in law enforcement organs and the institutions of executive and representative authority. All impending operations become known in advance.

Over the past three years, according to a report from V. Kornev, the population of Volgograd has increased by a little over 1 percent, but the number of crimes has risen by 25 percent and the number of gang crimes by 51 percent. Over the past six months, 124 crimes were committed with the use of firearms (as many as in the 1989-1992 period). And it is not pistols that are popular: over 150 machine guns and 14 grenade launchers, not to mention explosives.

This is what is taking place on the streets. But the result of the terror once again is penetrating the economy. Thousands of metric tons of nickel in specially equipped hiding places have been shipped to Lithuania by motor transport. No one has been caught. Indeed, how do you get caught when employees of the Moscow Commodity and Raw Material Exchange, the president of a commercial firm in the capital, and... even employees of Krasnyy Oktyabr, protected by officers of the Volgograd militia, have been taking part in this, and even the people's assessor of the rayon court has been involved? Major shady transactions are carried out in accordance with a detailed plan on a scientific basis.

It appears that the public is indifferent to the large-scale transactions.

But an illegal business flourishing in Volgograd is a threat to the people's health. Many persons have died from inferior alcoholic beverages. The city is covered like a cobweb with shops producing the beverage: Four such shops were operating in Kirovskiy Rayon, three each were

operating in Krasnoyarskiy and Voroshilovskiy rayons, two were operating in Krasnooktyabrskiy Rayon, and so forth.

The territory of Stavropol Kray, N. Gritchin reports, has been divided among ethnic criminal gangs that make a commitment to commodity producers and businessmen to provide them with a "roof" for a specified contribution. The eastern agricultural rayons are controlled by gangs of persons of the Dagestan nationalities, as well as Chechens and Koreans. In Kislovodsk, Armenians and persons of the Karachay nationality predominate. In Yessentuki, the Greeks. In Pyatigorsk, the Armenians, Ossetians, and Chechens control things. In Georgiyevsk, it is the Armenians. In Stavropol, it is the Armenians and people from Dagestan. The broad nationality spectrum is explained by the migratory influx into the kray in recent years from hot spots in the North Caucasus and the Transcaucasus.

Gangs of armed robbers are leaving the "highway." It is much more profitable to raid a currency exchange point and call on the office of a careless debtor. The point is that only one out of 15 businessmen becomes a victim of "pure extortion"; "legal" debts are being forced out of the rest. At a time of universal nonpayments and unpaid loans, this form of crime has flourished splendidly. The banks are hiring "toughs" to "knock out" the loans.

The organized crime administration keeps a copy of the contract between the Stavropol Bank of the Russian Federation Sberbank and the multispecialty legal firm MBK from Makhachkala, in accordance with which the firm will "provide legal help in handling claims, in concluding contracts, and debt liquidation." And in turn the bank is obligated "to make deductions in favor of the firm as arranged from the sum won from claims and suits." This contract is a typical example of an agreement with racketeers. Brawny fellows come to a debtor with a similar official document and demand return of the money. For everything risked by the racketeers, they can be held accountable under Article 200 of the Criminal Code of the Russian Federation—arbitrariness, for which a maximum of up to six months of correctional work is prescribed.

In Sverdlovsk Oblast, A. Pashkov reports, over 100 organized crime groups with about 1,000 persons are operating. The territory has been divided up into the "Ural-mash," "Central," and "Blue" territories.

The "Uralmash" territory is traditionally headed by the Tsyganov family. The oldest member was killed and the younger member was arrested for extortion and blackmail. And he was released with a security deposit of several tens of millions of rubles.

The "Central" was headed by Oleg Vagin. He was killed last year, but the gang is operating. It is typical of the gangs that it is nearly impossible to eliminate them, and new leaders come up to replace those who are arrested.

The "Blues" ("crime bosses" distinguished by their blue tattoos) are coming to the forefront.

All the same, it is not these gangs that determine the weather. Only corruption in the oblast organs of authority and the vast material and monetary resources that circulate among the major enterprises that supply metal, ores, and gold support the crime at a threatening level. Here is a very convincing example. The Minatom [Ministry of Atomic Energy], in concluding an obviously unprofitable transaction with the Chinese side on the sale of secret technologies for enriching uranium, referred to the fact that it could not proceed differently because it did not have enough currency. Smart operators locally offered their assistance here. Naturally, for the right to have a share. Now one of the unique emerald deposits—the Malyshvskiy mine, which belongs to the Minatom—is being developed under extortion with the help of the partners who had come to the rescue. The flow of stolen emeralds is on its way to the West. An entire technology has been developed: from extraction through filling out the documents to creating a stable "corridor." Everything is taking place openly, according to plan, with iron production discipline. In the event of careless work, a partner may pay with his head. The director of one of the enterprises tells how he sent "toughs" to chronic debtors in the West: All the debts were paid right there.

Our correspondent V. Kostyukovskiy reports on the celebrated "Kasyan case" in Kemerovo. The head of administration of the oblast center's Zavodskoy Rayon was arrested. The crime charged was misappropriation and misconduct. Using money from the budget intend for repair of the schools, Mikhail Kasyan had built a dacha valued at tens of millions of rubles, and fictitious interest was recorded on hundreds of millions. People are not amazed by the nine-figure sums; they are accustomed to them and have resigned themselves. No one was asking "How did he come to acquire such a life?" but something entirely different: "How did they dare to take him into custody?" Nevertheless, Kasyan found himself between the millstones of a struggle between the executive and legislative authorities. On one hand, he was the appointed administrator, and on the other, he was a deputy in the legislative assembly. At a session, deputies considered it their duty to stress: "He committed a crime as the head of administration, not as a deputy." But the administration refers to the fact that he is a deputy. Thus it was as if no obvious crime had been committed.

Here is a report by B. Reznik from Khabarovsk. Prime Minister Viktor Chernomyrdin and other high officials seldom fail to go to a suburban villa belonging to the Dalreo commercial organization when they visit these parts (recently the property of the commander of the DalVO [Far East Military District]). Now the complex of unique buildings with a beautiful park has been acquired for a pittance by one of the "tough" Khabarovsk businessmen, Igor Neklyudov. The villa is guarded by employees of the MVD and FSK [Federal Counterintelligence Service]. IZVESTIYA files contain many documents that shed light on how Igor Neklyudov acquired his capital. It was obtained by criminal means, but now the magnate is beyond the reach of the law and justice. At one

time the militia "dug out" a great deal of material, but the case was quite suddenly discontinued under an absurd pretext: "Our law enforcement organs have no experience in investigating contraband matters." Igor Neklyudov now owns a vast amount of real estate, and he can easily open the doors to any government offices....

This is the picture of the situation in the regions portrayed by our correspondents. A few general observations should be added to this. The experts' survey showed that the rate of increase in economic crime is far in excess of the extent of its exposure.

A significant number of financial crimes that previously appeared in the statistics as isolated cases have been recorded in the credit and banking system. In 1993, 4,258 crimes were exposed (a sevenfold increase compared with the preceding year, which had been viewed as "the year of financial crime").

They are not trading in our land yet. However, there have been cases of illegal confiscation of arable land from turnover and its transfer to outside individuals, arbitrary change in the norms for dividing plots of land, and unwarranted rejections in their allocation.

One conclusion may be drawn from all this: It is as if some hostile invasion has overwhelmed our territory. Even if this is slightly exaggerated, these conclusions should not be denied: The crime situation is too serious.

They say that a significant part of the law enforcement system, primarily the militia, has been either bought off by criminal bosses or frightened by their attack detachments. But is this the only problem?

All researchers and practical workers say the criminal clans are very well organized, there is a hierarchy of authority within them, as well as iron discipline and efficient assignment of responsibilities, which also predetermines the current scientifically adjusted statement of the matter, strictly speaking.

But what kind of law enforcement system can stand up to the criminal invasion? It seems that we often act as they do in some city where fires have become a calamity. If there are more fires, they appoint one more fire brigade chief, and if the fires increase, they name a third fire chief, and so on, until everything burns down. We call your attention to just one story about the appointment of the chief of Moscow's militia. Or more precisely, between two chiefs. This was one of the extraordinary cases of absurdity. But is it not a little like this in today's innumerable sovereign territories?

The cases cited by our correspondents attest only to the fact that "crime bosses" are wearing the morning coats of respectable businessmen. The problem is that the authorities, particularly the law enforcement services, have not overlooked this process—they are well aware of everything. Knowledge alone is not enough: Appropriate organization is needed to combat the new phenomena in the criminal world. Unfortunately, the authorities everywhere in the Federation's sovereign components are competing

more with each other than concentrating their forces to combat crime. The criminal organizations are obviously gaining the upper hand over the state structures in their degree of organization.

Livshits on Economic Stabilization Signs

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[Interview with Aleksandr Livshits by Ivan Zasurskiy; place and date not given; under the rubric "Reform": "Aleksandr Livshits: There Are Signs of Stabilization—Head of Presidential Experts Group on the 'Pinochet Budget,' the Lessons of 'Black Tuesday,' and the Russian National Character in Financial Markets"]

[FBIS Translated Text] Aleksandr Livshits, who has retired from daily work, has not yet seen the budget but confessed in an interview to NEZAVISIMAYA GAZETA that he has many disagreements, including conceptual ones, with the 1995 draft.

"This is indeed an unusual budget; this is not an ordinary phenomenon. I would put it this way: From the standpoint of its implementation, it is either the budget of an extremely strong state authority (figuratively speaking, a 'Pinochet budget'), or the budget of a country where it is easy to rally accord around a hard-line policy," believes Mr. Livshits. "I will only say, for fear of attracting criticism, that I do not believe, and do not consider it necessary, to aim to achieve 1 percent a month inflation by the middle of the year. Because 1 percent is enormously low. August set the record—4 percent. But this calls for further reducing inflation by a factor of four! Restoration of the investment flow...—this is all correct, but I do not think that such a hard-line approach is justified. How will science-intensive industry survive in such conditions?" In the opinion of the head of presidential experts group, this budget would be more appropriately an "early Yeltsin" budget or a budget of Yegor Gaydar's government in the spring of 1992.

Speaking on the subject of placing R40 trillion worth of GKO [state treasury bonds], Livshits commented on this economic joke of the year by interpreting differently the Ministry of Finance's promises—"not to take Central Bank credits to cover the budget deficit."

"I dare to hope that the point is indeed not to take Central Bank credits at 10 percent, but to place government debt instruments with the Central Bank. It says that it will finance the deficit by placing state debt instruments, but it does not say where."

Aleksandr Livshits even constructed the following logical chain: "In principle, placement of state debt instruments and their purchase by the Central Bank is normal world practice. One of the strongest instruments of the policy conducted by the Central Bank is the famous operation with state bonds in the open market. Conducting operations in the open market requires a large supply of these bonds. In order to have them, one has to purchase them. They can be purchased either from the Ministry of Finance

or in the GKO market, or in some other way. This confirms once again that nothing in this world is free."

"Of course, the budget deficit can be covered by anti-inflation measures," summarizes A. Livshits, "And everything will be fine except one thing: There will be no resources left for development."

The Lessons of "Black Tuesday"

Mr. Livshits is not inclined to engage in witch-hunting and does not see some political cabal in the event. He hints at a bad confluence of circumstances, but adds pointedly and without going into details that "a bullet does not fly out of the barrel by itself—somebody has to pull the trigger."

On the other hand, the presidential expert places considerable blame on the multilayered nature of politics that has long set root in Russian soil—in which some things are overlooked as "common knowledge," for which reason the public opinion does not take them into account. "There are rules in the foreign currency market that nobody complies with. One example is the import contract. Any enterprise submits an import contract to the bank, and on this basis the bank in turn makes a bid for foreign currency."

"It is quite obvious that there cannot be any speculation in the foreign currency exchange if you take the currency under an import contract. Or there may be but on a very limited scale because of time restrictions (within the time frame of current operations)."

"But absolutely everyone knows (those who want to know) that some import contracts have nothing to do with imports. I am compelled to say grudgingly: Either keep it under control if you have the resources to do so, or repeal it."

"Or take using the budget for purposes other than intended. In the past everything was clear: The money gets stuck in the middle, where the financial middleman puts it to work, and only later does the money make it to the recipient. Now this movement also has been joined by the actual recipients of the money. And this fact is not news to anyone either. Has anyone been exposed though?" At this point A. Livshits begins to gesticulate energetically: "I will twist your ear off—see, it is already dark red under my fingers." "No, of course not," he concludes, "and the examples of this are numerous, and it is especially important in connection with the new budget."

For himself, Mr. Livshits has distilled three lessons from "Black Tuesday": "First, the mechanism for determining the exchange rate is very weak if it can be destroyed so easily. This means that a certain share of the blame does indeed rest with the Central Bank. I mean purely practical things. For instance, there is no policy with respect to reserves. How can such a situation happen in a great country—no reserves? But then you have to think where to get them: When the situation does not require extensive interventions, accumulate them while keeping fall-back options in mind."

"Second, there is no anticipation of the behavior of foreign currency market agents. Nobody says that it can be done with absolute precision. But certain assumptions can be made as to how the financial flow will move and in which direction."

"The third is the very mechanism of functioning of the foreign currency exchange, where the exchange rate is formed. The Central Bank is a stockholder in this exchange. Can it be left as is? There are probably some strings the Central Bank can pull and set the exchange rate. As they did, although they did not choose the best moment, in putting trade money into the reserves. And so on."

"In other words, what is needed is policy, which is what I said earlier (the final interview in February). I talked then about anticipating consequences, about some sort of planning. And whatever I said, to be honest, was wasted to a large extent," Aleksandr Livshits told NEZAVISIMAYA GAZETA.

Livshits the Formalist

Aleksandr Livshits is no longer satisfied with the style of work of Cabinet of Ministers experts. "For several years a standard approach to programs has existed. Namely, three options are drafted. One option is strictly liberal, inhuman. The second option is strictly irresponsible, pro-inflation. And there is the wise government which navigates the ship between the Scylla and Charybdis. Such an approach is insufficient. It is not the point that this is not the way to do it—the point is that we need to get rid of contrived contrasts. Because the first time you do it, it is: Look how smart they are, not hard-line, not extremist. The second time around it becomes familiar, the third time—boring, and the fourth time you get nauseous when you are again subjected to this thing."

"The negative side of such things is that when some qualitative, and on top of that unpleasant, changes do take place, they are always totally unexpected. With this approach it was impossible to foresee the situation with MMM and the financial market, or the fall of the ruble," says Aleksandr Livshits with conviction, "because the factors that cause cataclysms do not fit into any long-term forecast (and especially one made following this pattern)."

"Here, look—the panic began in the foreign currency exchange, and immediately Central Bank and Ministry of Finance representatives convene for a meeting. Question: Why should this procedure not be routine in a normal country? There is, for instance, a certain crisis commission that deals only with foreign exchange market. It will know when to meet, and so on."

"Writing policy on the go still remains a less-than-laudable tradition," believes Aleksandr Livshits. "I want to repeat once again a rather simple, banal idea of restoring an elementary symmetry. If there are commissions in the government on current issues, there should be a commission on future ones."

"My favorite idea," the presidential adviser confesses, "is a strategic planning commission headed by another first deputy prime minister, which would deal with long-term policy and work just as seriously as Soskovets' commission does; it could also pull in some academic resources."

"Grab your bags—the train is departing: This is a style typical only of a growing organism, a revolutionary style," continues Aleksandr Livshits; "everybody is too busy, there is no time, decisions have to be made fast... In reality these procedures simply need to be institutionally formalized. Speaking about strategic issues, the most dynamic process in Russia is the process of Russia's division, division of its domestic market."

"Can this process be avoided? No, it is underway and will continue. To my knowledge, this area has not yet been worked out. It is another matter that approaches need to be changed here (within the boundaries of the commission's functions). The 'strategic' commission logically could have people on staff who are working on the three-year concept."

[Zasurskiy] Whom specifically do you have in mind? To the best of my knowledge, Yevgeniy Grigoryevich Yasin participates actively. The commission has people not only from the analytical center but also from the government. The point is, however, that this is a functioning organism, which could relatively quickly adapt to new functions.

[Livshits] Commission on protectionism? This is not so. You cannot call it this; this is not necessarily protectionism. I am convinced that we cannot save everything; this is meaningless—something will disappear anyway, and something in our market will always be obtained through imports. The point is that it has not been established what precisely. The process is unmanageable. Had it been at least a pure market process; but the most unpleasant part is that behind many an influx of goods into Russia are the governments of our trading partners. It appears that the only government that is not interested in this is our own.

Men Who Take Risks

[Zasurskiy] How do you feel about opposition statements that the government's economic policy has failed?

[Livshits] "Black Tuesday" produced a very powerful political hysteria. I understand the hysteria on the part of those for whom it is a way of life. But its manifestations among those who are not predisposed to it, the democrats saying: There has been no stabilization, people have been deceived... What do you mean, there are no signs of stabilization?! Where are the savings coming from? If there are no savings, there are no financial companies, and where is the demand for dollars coming from if there are no savings?

Therefore, it is simply wrong to say that nothing is there. How to localize small investors is another question. Here we discover the amazing Russian mentality when it comes to financial markets.

Russia has a lot of men who take risks; you cannot change them, and you have to take this into account—they are gamblers. A considerable number of investors (15-20 percent) are people who among all categories of business prefer the one entailing the highest risk (for instance, deposits bringing 1,000 percent annually). What if it works? This means that this has to be institutionalized; a niche has to be created for men who like to take risks, and everyone else should be left alone. They do not even need to be re-educated or told that they will all be deceived.

Survival Problems of Small Businesses Detailed

954E0143A Moscow ROSSIYSKIYE VESTI in Russian
3 Nov 94 p 2

[Article by L. Biryukova: "Small Business Is Quietly Perishing"]

[FBIS Translated Text] By all signs he appears to be a successful businessman, but on the other hand, he is about to lose everything. His name is Shapkin, Pavel Shapkin, 27 years old. The newspaper FIGARO has recently written about him. The reason was the great success that was enjoyed at one of the Paris exhibitions by a product manufactured by the firm he heads.

Pavel returned to Moscow from Paris in an excellent mood. His briefcase contained large orders from Japanese, Finnish, and Dutch entrepreneurs for items produced by his firm. In addition to that, the firm received an offer to open offices in France and England.

A month later, we spoke with him at his office, located in the basement of a Moscow residence. Pavel was depressed and upset. "I have seen it all now," he said, glowering. "There is no money to pay people their wages. I was forced to apologize and delay payment."

What happened to Pavel Shapkin and his young firm? It turned out that nothing special had happened. When he started expanding his business, he simply saw that overhead expenses, plus taxes, plus inflation were eating up all of the profits. That is the problem. It is the tragedy of people engaging on their own initiative in production business in our country. By contrast with those who are busy buying something cheaper and selling at a higher price, it does not matter what—consumer goods, computers, shares of stock. These people, of course, are necessary as well. But they exist, hustle around, and build capital only because there are people like Shapkin who are producing something. Shapkin, in fact, is a pioneer and therefore has the right to count on public attention. Or at least on the government not to slap him and trip him up.

It turns out, however, that if you observe all the laws, regulations, and instructions, as Shapkin does, you will work at a loss. Those who engage in chicanery, weave and dodge, deceive, and evade are the ones who manage to stay afloat. It is not a secret to anyone that business quickly turns into black market dealings. A vast amount of cash moves from pocket to pocket, leaving no trace either in the form of bookkeeping records or tax declarations.

Shapkin, of course, could do this too, but he has no intention of doing so. Everything developed for him in a way that goes against his grain.

He began entrepreneurial activities while a student at the Mendeleyev Moscow Chemical-Technological Institute. Pavel became engrossed with biotechnology, and dreamed of establishing a pharmaceutical firm. But it was necessary to earn some money first. Therefore, with some friends, he launched a book-selling enterprise and created a broad network of book stalls in Moscow subway stations. They purchased printed material from various publishing houses.

Shapkin and his friends found themselves among those who very precisely picked the correct time and rose on the very first and biggest wave that satisfied the thirst for books. This was the time to earn money and accumulate some savings. It was impossible to stop now, since inflation was swiftly taking care of any savings. It was necessary to invest them quickly in a business. Shapkin says, "What I like about business is that it is not just you who are conducting it, it conducts itself."

It is true; his business suddenly led him far away from his original intentions and plans. He decided to invest his accumulated funds in a publishing business, inasmuch as he saw that it would bring quick profits providing one managed to tap the mainstream of readers. His acquaintance with publisher Sergey Rozhkov was helpful. He had collected broad material for a multiple-volume edition titled "Handicrafts—The Experience of Experts."

"Take notice," he said to Shapkin, "how fast books on knitting and sewing are selling. We will throw out a wider net. We will talk about the best craftsmen in embroidering, weaving, lace-making, knitting, and other crafts also providing a detailed description of their techniques. So that anyone wishing to do so could create a piece of lace, like the Vologod women, or knit some mittens or socks like the masters of Pinezhye. The human genome contains a thousand years of experience in handicrafts and it must be awakened."

The book turned out to be a beautiful one and sold very well.

Then Rozhkov and Shapkin started receiving letters. Working people wrote from various parts of Russia describing how the market conditions were at their locations. Ryazan lace-makers were among the first to respond. They reported that their small enterprise, currently called a limited-liability partnership, was gradually going bankrupt. Their products were not in demand, and they asked for help with marketing.

His instincts told Shapkin that he must not ignore that letter. "Those people know how to work, but probably have no idea what marketing is all about," he said, diagnosing the situation, and he began taking action. A real businessman is distinguished not by the fact that he has an equally good understanding of, let us say, biotechnology and the making of lace, but by the fact that he knows how

to find suitable specialists for the resolution of any problem. It was essential to go into book publishing. He found Rozhkov, and then it was important to establish contact with the Ryazan workers and he found Tatyana Romanyuk, a clothes designer. She left the House of Fashion on Arbat Street, where she has worked for many years, and travelled to Ryazan.

After returning, Tatyana confirmed that the seamstresses there were excellent, but they were producing lace collars and small lace napkins that had gone out of style fifty years ago. It was essential for them to do away with the manufacture of souvenirs and switch over to the production of ordinary clothing.

"We will try helping them with that," Shapkin stated, let us risk it.

Taking that risk proved to be justified. The collection of women's clothing, whose main attraction was the Ryazan lace, immediately caused a sensation. When the sense of proportion and line, possessed by the artist-designer from the capital, was combined with the ancient handicraft skills, the reaction was truly astonishing. Shapkin and Romanyuk were even invited to participate in the Paris salon "Pret-a-Porte" where some of the world's leading fashion designers display their creations.

Tatyana stated, "At first I feared we would not be noticed. Just imagine huge showrooms on three floors, thousands of firms. It is very easy to get lost there. On the first day we did not succeed in getting a single offer.

"The following day it seemed that everyone was just looking, but there were still no deals. And then....

"Then offers flowed from all directions. At times there were lines of potential clients in front of the display stand. The more cautious asked that the firm's product catalogs be mailed to them; the most daring ones ordered specific items."

Shapkin understood that he had found his niche on the foreign market, more than saturated with goods. That was a gold mine. It was possible to sell items made in Moscow and Ryazan for foreign currency. All that remained was to straighten out some details: packing boxes, labels, pamphlets, catalogs.

Then came blow after blow. The cost of printing services rose all at once by some 70 percent. Rent payments went up, and the cost of electricity rose as well. Raw materials became more expensive. The money that was earned with such difficulty was disappearing very quickly. Attempts to obtain credit in a commercial bank to finance working capital came to nothing. Shapkin's firm began floundering.

Pavel knocked on all doors and applied to numerous foundations for support of entrepreneurship, argued that his business was very profitable and promised good profits in foreign currency, but all to no avail. Then he made a desperate decision to sell his apartment in order to use the money to fill orders placed by the foreign buyers. He did not allow for a situation where, having failed once, he

would no longer be believed by anyone and no one would want to do business with him. His whole life was still ahead of him.

He and his family left their home to live with relatives; for what? In order to rescue his business. Is that conceivable? A person has to be very certain of his abilities in order to take such a step.

"There is nothing else left to do," Shapkin told me, without even a tremor in his voice.

"Otherwise how could we look the Ryazan women in the eye?" Tatyana Romanyuk added. "Their morale has improved and they are busily inventing new designs, one more attractive than the other. About 400 seamstresses are presently working for us. Their number will grow, as the local employment office is constantly sending us more help. Many of the women were previously unemployed and are now eagerly studying lace-making. They are all counting on us."

Yes, that is so. All of society is hoping that private initiative and free entrepreneurship will generate new jobs while raising the level of prosperity and bringing the economy out of the crisis it is experiencing. Many discussions are going on in the power structures about the third estate and about the formation of a middle class. What will that new class be like? Even now some features are becoming evident. A selection process is taking place which may be called somewhat unnatural. Bankruptcy befalls not those who are incompetent and inept, but those who take the proper route. It is certainly not the most honest and law-abiding ones who survive and even prosper, nor those who keep their word and regularly pay their taxes. Then who are we all hoping to rely on, who are we setting our hopes on?

It is quite possible that Shapkin might become one of those odd people, because he does not give anyone bribes, and generally considers that the motto "Guard your honor all your life" is certainly not obsolete. A fool, in other words. Recently he worked out his own concept of taxation, inasmuch as he experienced on his own hide what it is like to be under the currently functioning system and what a precipice it can push you in. His system is simple, and Shapkin feels convinced that it could bring about flourishing entrepreneurship.

He attempted to get into the State Duma with his ideas and sent a draft there and several follow-up letters, but did not get a reply. At present entrepreneur Shapkin and the powers that be cannot hear each other. Therefore, it is not clear what his future as a businessman will be like. What is clear, however, is that he will always be a doer and not a follower.

Chubays for Price Liberalization, Mass Privatization Program

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[Interview with Deputy Prime Minister Anatoliy Chubays, by Aleksandr Privalov; Moscow, 21 October: "On Power

and Property: Anatoliy Chubays Maintains That the Property Foundation of Power in Russia Has Changed Irreversibly. Different People Are Coming Into Power—Different Age, Different Outlook on Life, Different System of Values"]

[FBIS Translated Text]

At the Level of Patriarch or His Deputy

Our conversation took place on Friday, 21 October, upon Mr. Chubays' return from the State Duma meeting, where the government's report on budget execution was discussed.

[Privalov] What was the result of today's Duma hearings?

[Chubays] The hearings ended wonderfully. No decision was adopted, which was the whole idea.

[Privalov] It looks as if this is a typical outcome for the Duma lately?

[Chubays] Not just lately.

[Privalov] Does that mean that everything remained as before, everyone still hanging by the same thread as before—and nothing has happened?

[Chubays] Not quite; something did happen. The government got an additional opportunity to prepare more thoroughly for next Thursday. All the cards were on the table today. This is important—and we are using it 100 percent.

[Privalov] Godspeed to you. And since we began with politics, a few political questions. How do you feel working in such different incarnations: You are a member of Gaydar's party and a member of the Cabinet to which Gaydar may shift into opposition at any moment. Your party and faction duties and your duties of a Cabinet member—do they not interfere with one another?

[Chubays] Not really, they do not. Let us start from the end. Generally speaking, Gaydar so far has not indicated a desire to shift into opposition—you must have confused him with Yavlinskiy or Fedorov. Russia's Choice at this point does not use the word "opposition," and this is not accidental. This is first. And second, it has already been discussed many times that there are representatives of many factions in the government. *Most diverse* factions, including Russia's Choice. Therefore, for me, frankly, the most important factor is not the external conditions I am surrounded with. For me it is far more important to what extent I do what I consider necessary. If I were accused of changing my positions, or that yesterday I supported something, and today something completely the opposite, then I would indeed feel very uncomfortable.... Frankly, however, I am still driving in the same direction as I started in November 1991. Along the way various events happen in the government. Its composition changes. Some former supporters turn traitors, and some former opponents turn into supporters.

[Privalov] Would you like to be more specific?

[Chubays] Well, if you absolutely need this, an example of the former: Sergey Yuryevich Glazyev. A typical picture of

a full-blown traitor—from beginning to end. As to the latter, draw your own conclusions.

[Privalov] You were absolutely correct in saying that the key question is whether you are able to do what you want to do. I heard a brilliant thing one of your colleagues in the GKI [State Committee for the Administration of State Property] said. He was explaining on the phone to someone how to petition for something, and he said: Look, you are writing to a state committee chairman—it has to be signed on the level of the patriarch or his first deputy. Does this ceremonial perception of your level and your abilities correspond to the real state of affairs? One constantly hears: Chubays is fighting sectoral leadership, fighting these and those—is it true, and how is your "score" in this struggle: good or bad?

[Chubays] Of course, the internal situation is far from simple. And it would be ridiculous if I tried to hide from you the fact that the government makes most of its important decisions in a state of confrontation, and quite intense at that. Imagine for a second that you are a head of a sectoral ministry. Your responsibility is stability; your responsibility is to ensure that changes are minimal. And here comes some Chubays, who demands privatization, sell-off, conducting voucher auctions—changing the form of ownership....

[Privalov] I understand that they *have to* fight you. But has not your ability to strike back diminished, for instance, over the past half year, as rumor has it?

[Chubays] The answer to this question should come not from what I am going to tell you now but from real events. And real events are quite simple. First: The voucher privatization in Russia, initiated by the GKI, has been completed from beginning to end, despite tremendous resistance. Now, the next stage. The program of post-voucher privatization was adopted in its full volume, in the form we drafted it and defended it.

[Privalov] With the exception of land....

[Chubays] No, this is not so. On 22 July the president signed an edict that includes a section on land. In the Duma, however, when we were discussing it in stormy debates, there was indeed a danger that section 6.10 would disappear from the program. But the program, which was approved by the president's edict, contains this part.

[Privalov] A last question on politics. What is your opinion of "Black Tuesday"? Did you participate in the Sochi negotiations? There is a persistent rumor that the devaluation decision was made there.

[Chubays] I not only participated but did preliminary work for these "negotiations." The perception that a plan for "Black Tuesday" had been discussed at Sochi is completely absurd....

[Privalov] Not "Black Tuesday"—the devaluation. The going opinion is that "Black Tuesday" is a man who stumbled along the chosen path. This was not *the way* they wanted it, but there was an intent to devalue the ruble.

[Chubays] This is very far removed from reality. Behind it is our traditional Russian desire to find evil forces, to see an enemy intrigue where there is none. With some people, unfortunately, this inclination even overrides their professional qualities. They went as far as declaring "Black Tuesday" the result of a planned action on the part of the government and the Central Bank. Among such people is Andrey Illarionov, who, generally speaking, used to be a professional. This statement of his is complete nonsense, completely absurd from beginning to end. At some point Boris Fedorov, too, said something to that effect; later I talked to him and he said afterwards: "Well, I got carried away." It can happen to anyone.

In reality, the explanation is more simple. I will not tell you anything new, will not discover America for you. The situation is absolutely clear: When you have a currency overhang, when there is tension in the financial system and also general political tension, sooner or later—at any time—all of this may lead to this sort of surge. And in this sense any attempt to look for guilty parties is completely absurd.

[Privalov] But did the government enunciate its intent—in Sochi or somewhere else—to "speed up" the fall of the ruble's exchange rate? To accelerate its devaluation?

[Chubays] The government's intentions discussed in Sochi were yesterday discussed and approved (in the government—K.) in the form of an official document called "The Budget." This document, if you had a chance to look through it, represents a radical, unprecedented shift in Russia's economic policy.

[Text] *Since at that point the KOMMERSANT correspondent had not yet seen the 1995 draft budget, he felt it best not to ask questions about something he hoped to read soon, and changed the topic. See materials on the 1995 budget on page 6.*

Was There Zugzwang in the Russian Economy of the End of 1991?

[Privalov] You mentioned November 1991. Indeed, you are soon to be congratulated on your three-year anniversary in the Cabinet. I would like to go back to the beginning of this period. Figuratively speaking, did you join the Gaydar government as a shaft-horse or an outrunner? Were you among those who defined the policy, or were you brought in to implement concrete decisions?

[Chubays] Gaydar was the shaft-horse—there is no question about it. How to determine degrees and percentages beyond that is hard for me to tell.

[Privalov] I am not talking about percentages; the point is as follows. By the time you joined the government and took charge of the GKI, was there already a more or less clear program of the government's future actions?

[Chubays] Of course; not only was it clear, this program was shared by everyone who was called at the time "the Gaydar team." Many things we simply did not need to discuss, enunciate, coordinate, because it was clear

anyway.... Take privatization, for instance—I was to implement it on the basis of some implied general principles. Behind these principles were 10 years of joint, very difficult, serious, and thorough fundamental work, which actually made it possible to do what we did.

[Privalov] So by the time of your arrival, it already had been decided that privatization would be launched after price liberalization, not before it?

[Chubays] Well, this is *absolutely* obvious and absolutely unequivocal; there was nothing even to discuss. Both processes were strictly predetermined by the nature of both processes. Price liberalization could be accomplished within a month, but only Larisa Piyasheva came up with the idea of implementing privatization in one month.

[Privalov] You could not implement it, but you could start it.

[Chubays] Privatization? No, we could not.

[Privalov] But why? You did start it within a few months.

[Chubays] Absolutely true. But in order to start in within a few months, we needed for starters to draft three 40-page documents: a government decree, a presidential edict, and a Supreme Soviet Presidium decree. All of them were called "Basic Provisions of the Privatization Program." That is, they had to be drafted and approved, which is impossible to do in three days. We had a starting point from which it was impossible to get the entire process going in one month. Liberalization could get launched on 1 January.

[Privalov] But you could also have ordered on that day that everybody go and hang themselves: This is also realizable and does not require long preparation. It does not mean, however, that it would be advisable to do so.

[Chubays] Are you saying...

[Privalov] ...that perhaps liberalization should have been delayed somewhat?

[Chubays] Are you serious?

[Privalov] Quite.

[Chubays] And sincere?

[Privalov] Why should I lie?

[Chubays] Then let us discuss it. Recall the end of 1991 and the beginning of 1992.

[Privalov] A gigantic, unimaginable inflation overhang, which was simply cut off, exchanged for a zero. And which quite possibly could—well, not fully but at least partially—be exchanged for *something*.

[Chubays] For instance?

[Privalov] For shops. Boutiques.

[Chubays] That is, force the pace of the privatization?

[Privalov] No, simply *begin* privatization.

[Chubays] You believe that there was some way to implement privatization in Russia faster than we did?

[Privalov] No. You undoubtedly set the world record, there can hardly be any doubt of that.

[Chubays] Then what are you talking about?

[Privalov] I am not saying that we had to start global privatization, including, for instance, oil or ferrous metallurgy. I am talking about small-business privatization, which of course could have begun right away—perhaps not in December but in January or February. Could not liberalization wait a month or two?

[Chubays] First, about privatization. You maintain that small-business privatization could have been launched right away—on a greater scale than we conducted it. I can tell you officially that this was absolutely unthinkable *in principle*. It was impossible—physically impossible—to do it a little earlier or begin it on a greater scale than we did.

The privatization outline was approved within 44 days from the time that our government came in. Nothing like this has even happened in the history of mankind, I think. The outline was approved on 27 December 1991. Then you have to begin to implement it. Executive documents elaborating on this outline were approved by the presidential edict on 21 January 1992. The first store was auctioned off in Russia on 21 March—if memory serves me right. Two months later. If you look at the outline, you will see in it a number of stages with a set deadline, which eventually got carried out *faster than prescribed*. Therefore, on top of everything else, I had to fend off the trading sector trade union, which contended that this whole undertaking was illegal. I would not even mention the mass demonstration in Nizhniy Novgorod, where the first auctions were held; or the threats to surround the government plane with crowds and keep me from deplaning, and so on—these are all emotions.

I will repeat the conclusion: It was unthinkable in principle to do it earlier. And it was impossible to do it on a broader scale.

Now the other side—to delay liberalization. I will state just as unequivocally and flatly: This means being completely, 100 percent removed from the real life of the Russian economy of the end of 1991 and the beginning of 1992.

[Privalov] Why so—we all remember how it looked....

[Chubays] I am afraid you did forget a few things. I worked at the time as deputy chairman of the Leningrad City Executive Committee. I remember how every week we discussed this issue at the executive committee meeting: There is enough meat in the city for 11 days.... 10 days.... eight.... The city has a 12-day supply of bread.... You probably remember what Moscow stores looked like at the end of 1991. In the language of economics, it is called suspension of commodities and goods flow. It is a situation when black market prices become not 20 percent higher, but ten times, a hundred times, higher than the official

state price. For how long could price liberalization be postponed in this situation, in your opinion?

[Privalov] I do not know—the experiment never took place.

[Chubays] Fortunately, it did not. Would you assume the responsibility for conducting such an experiment? I would not—and I think that anybody who would, would find himself, let us put it straight, in an absolutely unambiguous political scenario. It is quite clear what would be happening in the Russian economy by February or March 1992 if an attempt had been made to artificially maintain unnatural prices.

Thus, it was unthinkable to begin privatization earlier and on a broader scale; and it was equally unthinkable to postpone liberalization by even a month. I have cited this example many times. This is, you know, much like a human body—there are maladies of different duration. Suppose you are a doctor. A man is brought to you who has been run over by a car. He has broken ribs and is bleeding from the aorta. And on top of that he has a cirrhosis of liver. And here is what some of our Russian economists said, which was then repeated by some very major Russian writers: You did it wrong, they said, you needed to privatize first, overcome the monopolies, and then implement price liberalization. Straight from these series: First cure the cirrhosis of liver, and then take care of aortas or whatever.... Otherwise, look—although you stopped the bleeding, the patient still has the cirrhosis. Yes, he is still alive, but nobody knows where this cirrhosis will get him in a year.

[Privalov] Not only “some Russian economists”—as a recall, Milton Friedman also was unhappy, I think. But this is not the point: There probably could be some “in-between” options. For instance, you could have announced a special privatization destination for savings bank deposits....

[Chubays] Could you elaborate a little bit on the methodology of it? What, for instance, could be announced regarding a “special fate” of saving bank deposits?

[Privalov] Announce that they will be on some sort of special terms—there is no need to invent now, three years later, how specifically....

[Chubays] Compensated for...

[Privalov]Used in auctions.

[Chubays] That is, compensated for.

[Privalov] Not compensated for—just *not wiped out*.

[Chubays] And some assets will be offered in lieu of these deposits. So what—just go ahead and announce it. Announce Harvest '90 vouchers. Announce a Housing 2000 program. And they were announced. What was the result? Nothing. This *nothing* is the answer to your question. Any attempt to promise something holding a prospect of indexation or to imply existence of assets to be exchanged for population deposits in the savings bank

would be a political lie. It was absolutely clear then, and today it is even more clear to me.

[Text] *I assume the reader will agree that it was quite possible to continue this discussion, and its topic is certainly no less interesting than the current events. But the time allotted to this KOMMERSANT correspondent for this interview was certainly not infinite, and so he felt it was best to change the topic again and to move to less historic issues. As to the topic we abandoned, KOMMERSANT will definitely come back to it.*

On the Subject of Power

[Privalov] What do you see as the political result of mass privatization? Naturally, to a certain extent this process has weakened the sectoral power structures. What is not obvious is something else: Where did this power go? Power probably obeys the laws of conservation. If it diminished in one place, where did it increase?

[Chubays] In my opinion, weakening is a far too mild definition. I would define the situation more unequivocally. Speaking of what happened to power as a result of voucher privatization, I would put it this way: The property basis of power shifted in an absolutely different direction of development. For me, what I said differs from your question not just in terminology—for me it is a qualitatively different understanding of the situation. And the qualitative attribute is its irreversibility. Power that has been weakened may be consolidated, but power based on *different property foundations* cannot be returned to its original shape—this is impossible. Journalists are already tired of my repeating the same thing all the time, but because of your question I will do it once again. No one—Zyuganov, Zhirinovskiy, Skokov, or Glazyev—will be able to bring that power back. Never.

Now—where did this power go? I agree with you: The law of conservation undoubtedly exists. This power very gradually, imperceptibly began to be redistributed from where it used to be to where it should be.

Where was it actually? To a certain extent—but considerably less than is commonly thought—it resided in sectoral ministries. To a much greater extent it was in the hands of directors. To a considerable extent—in the hands of local elites. To a very insignificant extent—in the hands of emerging local commercial elites.

Where is it flowing now? Slowly, tentatively, very sluggishly it is flowing into the hands of those who are identified by the boring word “stockholders.” It is another matter that we can look a little deeper and see who is actually called this: Who other than the aforementioned groups are part of this stratum today. But for me the key question is precisely this.

While a year ago my desk was overflowing with papers involving conflicts between labor collectives and directors, today my desk is almost overflowing with papers involving conflicts between stockholders and management. These

are qualitatively new conflicts, even if the labor collective is among the stockholders. This is an absolutely different situation.

[Privalov] But the power is in the hands of that same director.

[Chubays] Yes and no. In reality, tomorrow only those directors will still have the power who were able to understand the essence and become stockholders. Those who have not become such still have the power today but will not tomorrow. And since we are now talking about fundamental foundations of privatization, I would like to proffer a thought that is very important for me.

If we shift from a serious level of conversation to a more politicized, rallying cry kind, the following accusation flies from behind this all: So what did you do—transfer the power, transfer the property to directors, regional elites, and so on? There is a dilemma here, and I accuse almost all my opponents, including highly intellectual ones, of failing to understand it. The dilemma is as follows: If you do not accept the redistribution of property within the existing power structures, you have to accept the necessity of totalitarian structures carrying out redistribution of property.

[Begin box]

If you do not like the fact that property is moving smoothly from one category of power elites to another category of power elites, you need to get yourself a little Cheka [All-Russian Special Commission for Combating Counter-Revolution, Sabotage, and Speculation], which will shoot one person in 10 and ensure transfer of property to those to whom it really ought to be transferred. If you want to achieve justice understood *this* way, justice in distributing property, you need to create a new force that will ensure this justice: a surplus-appropriation brigade, a police state, a dictatorship—preferably of the military kind. Then you can ensure justice.

[End box]

[Privalov] Or better still, just dust them with insecticide powder. I feel that words about justice are altogether meaningless in this context.

[Chubays] And I constantly have to listen to rebukes from people who either do not understand what you just said or understand but lie and say that they do not.

[Privalov] May I summarize what you said about the transfer of power this way: Power remained practically in the same hands but on a qualitatively different basis?

[Chubays] This is not quite correct. It was in "more or less the same hands" a year and a half ago. Not anymore, not now. Because a real, substantial redistribution has begun. Look for instance at voucher investment funds.

[Privalov] I am talking about power in the country....

[Chubays] And I am talking about the same thing! Look at voucher investment funds. These are structures, some of which have emerged from the fragments of these regional

power elites, but some—on an absolutely different basis. These people are made of a completely different material—different age, different mentality, different outlook on life, different system of values. And these are, by the way, the funds with 2 million stockholders, or 3 million—this is serious. As soon as it gets close to elections, everybody remembers instantly.... Yes, this is power. Who are these people—former first secretaries of oblast party committees? No. Former general directors of metallurgical combines? No. This is a completely new power elite that has emerged from some commercial beginnings, but in many instances simply from zero. They risked their money, invested it in some business, managed to convince stockholders, managed to overtake competitors—and so on.

[Privalov] All right. And how do you appraise the economic results of privatization?

[Chubays] I am afraid our society is not quite ready to analyze the economic results of mass privatization.

[Privalov] Our society is not ready to analyze these results first of all because no results are available. To the best of my knowledge, the GKI does not have any information on the subject.

[Chubays] Why do you say so? Here, I have on my desk the latest monthly report.

[Privalov] I am talking about analytical, not current, information. Have you, for instance, monitored privatized enterprises and compared them with similar ones by sector?

[Chubays] Of course. At my instruction a comparative analysis was done, for instance, in St. Petersburg, which compared the effectiveness separately for small businesses, and separately for large ones.

[Privalov] And what are the results?

[Chubays] Even better than expected. I told all these boring stories in the spring, during the first hearings on privatization in the State Duma.

[Text] *Stories are fine, but we in KOMMERSANT so far have not seen GKI's analytical materials on the results of the voucher privatization—and that is keeping in mind that our correspondent who monitors this agency is famous for his ability to obtain any papers—Mr. Chubays himself will comment on this a little later. Still, it is our fault; we will try to familiarize ourselves with these materials as soon as possible. Meanwhile, I had to once again change the topic.*

So What Is It: Two Volga Cars Or a Two-Week Salary?

[Privalov] How do you explain why—from a purely utilitarian, monetary standpoint—the voucher was such a failure? When it just came out more than two years ago, two forecasts of its value were made. You said: two Volga cars; we, practically simultaneously, said: R 1,300. We were on the dot to the ruble; you were seriously off. How did this happen?

[Chubays] Permit me to disagree. What value do you mean when you say R1,300?

[Privalov] Stock exchange value—taking inflation into account. In August 1992 prices.

[Chubays] I see. And I meant—and mean—a completely different value, the property content of the voucher. I meant the *real* value of stock one could acquire in exchange for a privatization voucher.

[Privalov] Anatoliy Borisovich, the real value is *what you can get for it*.

[Chubays] I completely agree with you: The real value is what you can get for it and not what is written on it. And how much can you get for it? I have been telling everyone for three months that Yuganskneftegaz stock acquired for one voucher now sells for \$1,000. You wrote about it.

[Privalov] Yes, but such instances do not make the weather....

[Chubays] Permit me once again to disagree. To answer your question seriously, this is what I can say. After all, our conversation is for a professional publication which I can quite sincerely compliment for its level of professionalism.

[Privalov] Thank you.

[Chubays] I frequently get more information from your magazine than from analytical government memoranda. Especially classified ones.

Anyway, speaking about the real value of the voucher. I will not reveal anything new to you by telling you the absolute economic axiom: During the period of internal radical reforms, during the period of a severe crisis and production decline, a fundamental drop in the price of capital occurs. In this sense you can run your calculations this or that way, price the voucher at R10,000, or R100 million, or three kopeks, but the figures are not going to change anything. If you are selling property at the stage of an economic crisis, you will sell it for a pittance; its "real" price inevitably will be low. And it probably is not advisable to deceive the market by some economic tricks, because it will deceive you. And it will deceive you so badly that the whole process will simply be destroyed.

Therefore, there are two approaches: Either attempt to trick the market somehow, or do the reverse—on the basis of internal trends of *this* market, attempt to design the process in such a way that at the next stage it will achieve the real result. The example of the former approach is what we were being intensively pushed into: Why do we not reappraise the capital assets and issue the voucher with the denomination of R100,000 instead of R10,000. Then we will not deceive the workers and give them a lot.

[Privalov] We called it then "streetcar ticket indexation."

[Chubays] Absolutely correct. Your materials helped me a lot at the time but, very unfortunately, this question was being discussed in the government hallways extremely seriously. Believe me, it took a lot of effort on my part to convince my opponents that this is a complete nonsense.

Anyway, we know that the value of property is low during this period. We did not try to deceive the market, we took the entire tidal wave upon ourselves, the whole avalanche of sincere, semi-sincere, and absolutely false accusations of selling off property for a pittance, selling the motherland, and everything else. What did we count on? On the fact that if our design was overall competent in substance, at the next stage the price of capital would begin to rise. And the next stage began a year earlier than I personally expected, and in its dynamics it exceeded by a factor of 20, or even 50, what I could have hoped for.

[Privalov] Are you talking about the oil stocks boom?

[Chubays] Not only oil. Is the Krasnoyarsk aluminum plant oil stocks? Or the Leningrad Optical-Mechanical Association? Or Rostelekom—it this an oil stock? I will not enumerate them—you know it as well as I do.

No, this is not a boom in oil stocks; what we have is the beginning of a fundamental process of growth of the value of Russian capital, which represents an unequivocal economic proof of the professionalism, competence, and incredible success of the Russian mass privatization.

It is indeed true, after all, that one voucher invested in Yuganskneftegas costs R2.1 million! And it is true that this voucher was invested there not only by the director but by another, I think, 500,000 people. And what about the Gazprom, which we are only now beginning to count. Or Norilsk Nickel, or everything else—behind this all are tens of millions of people who purchased these stocks with their vouchers.

[Privalov] Obviously, our readers are familiar with these facts. What they are not familiar with is: Where are the results of the voucher privatization? Four months have already passed since it ended.

[Chubays] You mean the official report?

[Privalov] Yes.

[Chubays] Well, we will produce a report.

[Privalov] Why is it taking so long?

[Chubays] For a very simple reason: I will lay all the cards on the table for you. You have probably noticed that the results of the Gazprom auction were finalized *a week and a half ago*. Soften your exactitude for a moment. As I recall, 3 million vouchers participated in the Gazprom voucher auction. Actions of this magnitude have never been undertaken either in our country or in the entire world. It is not that easy to summarize such results. It is complex, labor-intensive, and requires gigantic work: organizational, accounting, legal, financial, political—in the event that a conflict arises. But if I still do not have on my desk the results of the Gazprom voucher privatization, how can I present a summary of voucher privatization in Russia?

[Privalov] Naturally you cannot. Still, Anatoliy Borisovich, will the amounts agree?

[Chubays] Of course they will agree; where would they go?

[Privalov] Are measures being taken?

[Chubays] Of course....

[Privalov] Thank God, because we were all concerned that there would be many extra millions in the end.

[Chubays] I have a feeling that our reports reach your desk before they reach mine.

[Privalov] No, this is just our hunch. But so far we were discussing things indirectly; let us put it straight: Do you believe that the secondary turnover of vouchers was not significant?

[Chubays] I believe that it was present and that it was absolutely inevitable. I know that in addition to secondary turnover there was also plain counterfeiting of vouchers. The question is not whether it existed or not—the question is: on what scale? In my preliminary estimates, the scale is acceptable.

[Privalov] Since the criminal topic has come up anyway—what is this about Mr. Machevskiy's (the GKI deputy department chief—K.) arrest—what happened there?

[Chubays] What can I say? Accusations of bribe-taking. He absolutely denies any wrongdoing. Yes or no—only the court can answer this. If you are interested in my position in general on this subject, it is unequivocal: If a person took bribes, his place is in prison. You can put in the headline: "A Thief's Place Is in Prison."

[Privalov] What is your estimate of the level of theft or bribe-taking in the agency entrusted to you?

[Chubays] You know, this is precisely the question from which we started everything that has been done here. Not too many people understand that 70 percent of the battles around privatization methods for us were battles for methods that reduce the level of theft.

[Privalov] Of course.

[Chubays] For you, it may be obvious. Very regretfully, this has still remained unclear for many.

[Privalov] And you believe that the methods you chose minimized it?

[Chubays] I am convinced that this is so, and today I see it even more clearly than ever before. Moreover, today, when we are moving from standard procedures of voucher privatization to a greater degree of individualization, to a greater degree of taking into account the specifics of privatization for money, we have to expect the inevitable increase in negative factors associated with privatization. Had we adopted from the very beginning what we were being compelled to do, I think we simply would have destroyed the GKI as an absolutely corrupted body—but this did not happen.

And a Little About Creative Plans....

[Privalov] How do you see your future as a politician? You do have a huge scalp dangling at your belt—the voucher

privatization. It is over. Will you remain *just a deputy prime minister*, or will you embark on some new large-scale task?

[Chubays] Do you rate the job by the number of scalps? Then I have to confess that I have not one scalp dangling at my belt, but probably more than you think.... I do not associate this with the professional or political level, however.

My views in this sphere differ from those widely shared. I read in NEZAVISIMAYA GAZETA today that Chubays' influence has gone sharply down. Why? The correspondent's conclusion is that this is because Chubays' name is not mentioned in the newspapers as often. In the past, it was in the press every day, and now not as often. Well, I do not set the task for myself to see it every day. Have not, and do not.

I have to confess—although I do not think many will believe it—that I do not have a clearly formulated political scenario for my own future. I do not know—and I am not terribly upset about it. I do know something else: There is a whole set of extremely burning large-scale problems the Russian Government—I do not even say *our*, any Russian Government—has to deal with now. And for me, the problems of interest are not those associated with continuing already established ways of action but those associated with transformation, with change, with creating something that had not existed before. And we have a whole score of those—burning and very difficult problems.

[Privalov] Which ones do you associate yourself with?

[Chubays] I can name one absolutely unequivocally: the securities market. I will be brazen enough to state that its emergence in Russia is directly and closely tied to everything we have done; to a considerable extent it was we who created it, in the bowels of the GKI. There are people working both at the federal and regional level who did it with their own hands. Therefore, I believe that it would be right for us to deal with this market. In terms of its scale, its complexity, its professional components, its political components, this is an extremely difficult task. In the long run possibly comparable to privatization, as President of Russia Boris Nikolayevich Yeltsin said.

[Privalov] You said: "Any Russian Government, not necessarily ours." Does that mean that, in your opinion, regardless of whether there are changes in the government, its main course will remain more or less the same as your Cabinet is currently conducting? That changes are possible only in details?

[Chubays] You know, as we move on, I become increasingly convinced that the nature of the course depends less on the political position—democrat or party functionary—and to a much greater extent on the government's *degree of responsibility*. Because a *responsible course* is a course for which the government can be responsible not for two months but for at least a year—the range of a responsible course, its boundaries, are very narrow. That is why some politicians who in the political spectrum held positions

very far removed from mine gradually, because of the inner sense of responsibility for what they do, are moving into positions close to those I defend.

[Privalov] And hence, the role of personalities is diminishing progressively.

[Chubays] In a certain sense—yes, but I do not quite agree with this conclusion. In order to implement this responsible course, personalities and personal qualities are of unique significance.

[Privalov] Thank you very much, Anatoliy Borisovich.

[Chubays] Thank you.

Goskomstat Data on Privatization for First Half 1994 Supplement p 8

954E0132A Moscow *EKONOMIKA I ZHIZN*
in Russian No 43, October 94 Supplement p 18

[Unattributed article: "Russian Federation Goskomstat on Progress in Privatization in Russia"]

[FBIS Translated Text] According to a report released by the Goskomstat of the Russian Federation, some 14,659 enterprises have actually been privatized as of 1 August

1994. Applications for privatization were filed by 13,367 enterprises, half of which are municipal property, 21 are the property of subjects of the Federation, while 29 percent are federal property. The overall value of the property comes to R1.642 trillion and these enterprises employ 4.5 million workers.

Two-thirds of the enterprises to be privatized are profitable. Seventy percent of the unprofitable enterprises are municipal property.

In the first half of 1994, R398 billion were received in Russia from privatization of enterprises, including funds from enterprises privatized in 1993. Fifty-seven percent of these funds were derived from the sale of municipal property.

From proceeds received as a result of the sale of property and after the payment of funds to workers of privatized enterprises, the following deductions were made—38 percent into local budgets, 25 percent into the budgets of territories, and 17 percent into the federal budget. State organs conducting the privatization were credited with 17 percent of the proceeds from privatization of enterprises.

The following data reflect the results produced by privatization of enterprises with various forms of ownership:

	Total	Forms of ownership		
		Municipal	Property of subjects of the Federation	Federal
Enterprises privatized, units	14,659	7,140	3,466	4,053
By sale and repurchase	7,729	6,387	832	510
Including sales in which purchase payment was made in full	5,174	4,313	519	342
By issuing stock	6,930	753	2,634	3,543
Including joint-stock companies all of whose shares subject to sale were sold	1,487	169	625	693
Funds received from enterprises privatized during January-July 1994:				
In monetary form, billions of rubles	160.5	101.4	20.5	38.6
In privatization checks, thousands of checks	11,577.0	413.8	1,444.9	9,718.3
Investments received, millions of rubles	708.6	148.2	109.0	451.4

The share of retail trade, public catering, and consumer services makes up about 50 percent of the structure of privatized enterprises. Industry accounts for 28 percent (where over a fourth of the enterprises are machine-building and metal working enterprises), construction makes up 11 percent, while transport and communications comprise 6 percent. Other branches are involved in that process to a lesser degree.

In privatization preference was given to the sale of enterprises at auctions, through competitive bidding, and buy out of leased property. These methods were used for half of the privatized enterprises. Most of such enterprises are municipal property.

Stock was sold in a total of 6,930 enterprises (47 percent of the total number), almost half of them are large and medium-size enterprises belonging to the federal government. The amount of statutory capital is R373.8 billion. Participation of the government through retention of a controlling interest was the case at 904 enterprises (13 percent of the total number of joint-stock companies), the government owns a "golden share" of 447 enterprises (7 percent). The bulk of such enterprises are federal property (industry, construction, transport, communications).

Over 40 percent of the joint-stock companies are in branches of industry (in machine building and metal

working there are 875 such enterprises, in the food industry—578, in the lumber, woodworking, and pulp and paper industry—321, the building materials industry—246, and light industry—175), 18 percent are in the construction industry, while 11 percent are in the transport and communications industry.

In the sale of stock, preference was given to the second variant of preferential terms, permitting the labor collective to have a controlling interest. That variant was selected by 65 percent of the enterprises. The first variant was picked by 24 percent of the enterprises while the third one was chosen by 2 percent. In addition to that, 8 percent of the enterprises were turned into joint-stock companies by transforming leased enterprises.

Some 537.3 million shares of stock were issued in January-July of this year. Of the 224.6 million shares distributed among enterprise workers, more than half are type A preferred stock, which is transferred free of charge, and shares sold on preferential terms at a sale price determined by the GKI of Russia—31 percent, and transferred to other enterprises and organizations—8 percent. A total of 14.5 percent of the shares that were issued were transferred to the property fund and sold at auctions, through competitive bidding, as well as to foreign investors, and at investment auctions. Altogether, 42 percent of the shares issued by joint-stock companies in January-July 1994 remained unsold.

Competitive demand for enterprise property that was sold is determined by the form of ownership, branch affiliation, and privatization method. On the whole the difference between the sale price and the initial price, i.e. the average value ratio of the sold enterprises, amounts to a factor of 4.6, including municipally owned enterprises—a factor of 5.5, those owned by subjects of the Federation—a factor of 4, and those that are federal property—a factor of 1.5.

The average value ratio in various branches of the economy is also quite scattered. In the case of enterprises, for instance, in the power engineering field, their sale price rose by comparison with the initial price by a factor of 19, those in the field of science and scientific services—by a factor of 9.1, those in consumer services—by a factor of 7.5, those in maritime transport—by a factor of 7.3, those in retail trade—by a factor of 6.5, and those in the chemical and petrochemical industry—by a factor of 5.9. In water transport, nonferrous metallurgy, and machine building this ratio remained almost at the level of the initial price.

Among the methods of privatization it is necessary to differentiate competitive bidding and auction, which bring the highest sales price. The sale price of enterprises sold through commercial competitive bidding exceeds the initial price by a factor of nine, while that of enterprises sold at auction exceeds the initial price by a factor of five.

Despite the end of check privatization, privatization checks continue coming in. In January-July 1994, 38.4 million checks were received, and 34.4 million checks were canceled (including checks received in 1993).

Banking Expert on Curbing Inflation, Ways Out of Depression

954E0131A Moscow IZVESTIYA in Russian
25 Oct 94 p 1

[Article by L. Makarevich, expert with the Association of Russian Banks, from FINANSOVYE IZVESTIYA Supplement No. 51: "Entire Economy Counts on Cheaper Ruble: Lev Makarevich Believes That Only a Weakening National Currency Can Keep Domestic Producers Afloat"]

[FBIS Translated Text] Pacifying statements by Victor Chernomyrdin and the appearance of Vice Premier Oleg Soskovets at the Duma did not relieve the tension existing on the financial market. Anticipation of further inflation is growing there. It is prompted by the published results of budget implementation over nine months, the narrowing sociopolitical government base, and a total lack of clarity concerning its goals, economic strategy, and tactics.

The Russian economy has entered a state of disbalance, where it can remain afloat only with a declining ruble rate. Statistics of the last several weeks confirm that without its constant devaluation, almost all branches will suffer great losses. That applies first of all to Russian exports, which have been transformed into the colonial type, based on only four or five types of raw materials and semimanufactures. An increasing part of industry is being reoriented toward their extraction, processing, and export. The other part, especially the technical and science-intensive part, is being rapidly degraded and destroyed. Vast sums will be required for its restoration.

A policy of constant postponement of state disbursements led to a situation where, in order to avoid production stoppage and social upheaval, the bulk of payments on state obligations, including cash payments, will fall due in the fourth quarter. It will be too risky to repeat a measure used previously of transferring them to the first quarter of next year. An impressive portion (R17 trillion) already had to be paid out in July-September, which led to a 33 percent rise in the price of the dollar.

The results of economic activity over nine months provide no hope of bringing the depression to an end without inflation, even with consideration of the promised bankruptcies and a rise in unemployment, which will entail additional state expenditures. There is nothing to replenish them with. On 1 October the deficit amounted to 9.8 percent of the gross domestic product (R45.8 trillion) as compared with the planned 7.6 percent. Only 39.7 percent of the planned amount of revenues were realized (R49.4 trillion). In order to mend the growing hole it was necessary to launch extensive inflationary financing in an amount of R36 trillion with credit from the Central Bank (R34.6 trillion) and its profits (1.6 trillion). The emission of government securities made it possible to cover only 7 percent of the deficit.

Its principal cause is the continuing decline in production—16 percent, compared with the projected 7 percent level. Output was down in the production of 383 types of

goods out of 401 taken into account by Goskomstat in its current reporting. Under conditions of practically minimal commodity production, with M2 at R80 trillion and \$14-\$15 billion, already in domestic circulation, it is pure insanity to continue maintaining the exchange rate at 3,022 rubles to the dollar if the government does not intend losing the last of its foreign currency and precious metal reserves.

The Duma was compelled to index minimum pensions (R34,400) by 20 percent as of November because of the price hike on the retail market. New major increases in social payments cannot be avoided due to the accelerated rise in the cost of living. Particularly in the cost of goods which form the basis of the consumer basket of the low-income group, which is two-thirds of the population. We are speaking primarily about food, including low-cost imported items, which makes up 50-70 percent of the overall volume of foodstuffs in large cities. Domestic food production was halved. The harvest this year is the lowest in the past decade.

In the very near future the ruble exchange rate either at the exchange or on the street market will settle at the level of R4,000-6,000 to the dollar anyway, and no one can influence that. With all of its significance, the Central Bank cannot be the "bull" when it is opposed by the entire Russian economy as the "bear," prompting a decline in the ruble.

The latest events on the money market constitute further evidence of that. At their very lowest prices, futures for November are at R3,350, for December—R3,625, for January—R3,896, and for July of 1995—at almost R6,000. The outflow of rubles from the securities market continues. With the distribution (18 October) of the 22nd emission of GKO [state treasury bonds] (R1.4 trillion), for the first time in their entire history the government did not have sufficient funds to retire the 15th issue (R1 trillion). In anticipation of a new ruble collapse there is an all-round rise in interest rates on the credit market.

It is possible to assume that Viktor Gerashchenko saw all of these symptoms and therefore permitted a temporary slackening of Central Bank intervention on the MMVB [Moscow Interbank Currency Exchange] in order to establish a new balance between the ruble and the dollar, simultaneously preserving what is most important—the gold and currency reserves of the country.

Market Value of Private Enterprises Studied

954E0144A Moscow KOMMERSANT-DAILY
in Russian 1 Nov 94 p 3

[Article by Natalya Samoylova: "The Privatization Center Has Appraised the Market Value of Russian Enterprises"]

[FBIS Translated Text] *Realistic appraisals of the value of privatized enterprises in Russia still present problems. Among the many appraisal methods, the one preferred by Russian privatization agencies is the appraisal based exclusively on the market price of stock, although they do concede that this is far from the only valid method. At a press*

conference in the State Committee on the Administration of State Property yesterday, Director Maksim Boyko of the Russian Privatization Center announced the first result of these calculations—a list of the top 500 privatized Russian enterprises, in order of appraised value, calculated according to the results of check auctions.

In Maksim Boyko's words, privatization by check provided the first opportunity to determine the market price of the enterprises concerned. (In all, 14,000 of the 22,000 privatized enterprises were sold at check auctions.) The list represents something like an impermanent photograph of Russian industry at the end of the check auctions. In the future, as Boyko remarked, "the list will be corrected by life itself"—i.e., the positions occupied by enterprises on the list will change in line with fluctuations in the market value of their stock. In this way, the list, according to Boyko, will become a "professional tool for investors." As far as the appraisal procedure is concerned, it was the simplest one possible. The price of the stock was first calculated in privatization checks according to auction results (if the stock in an enterprise was offered for sale at several auctions, only the results of the latest were taken into account—as the most accurate), and then the price of the enterprise in checks was calculated. After this, the value of the enterprise was calculated in rubles at the current quoted price of the checks (according to the data of the Russian Commodity and Raw Material Exchange), and then in dollars at the average market rate of exchange in the four weeks preceding the check auction. In this way, according to Boyko, the accuracy of the appraisal does not depend on the percentage of enterprise stock offered for sale at a check auction.

Boyko pointed out to the journalists that several large enterprises (AvtoVAZ, GAZ, and ZIL) ranked lower on the list than enterprises with fewer employees. Another surprise was the rather low average value of the enterprises on the list—the proportional enterprise value per worker came out to 100-1,000 dollars, whereas the indicator in the West is 100,000 dollars. According to the center's experts, this is connected with the high risk of investment in Russian enterprise stock. It is true that the director of the center offered this explanation in the spirit of historical optimism characteristic of the personnel of Russian privatization agencies: "The main conclusion that can be drawn from this is that Russian enterprise stock has exceptionally great potential for growth."

The director concluded the conference with a few words about the procedure used to appraise the value of privatized enterprises. Without subjecting the Privatization Center's methods to serious criticism, we have to say that the value of this information depends on several factors. The first (and main) one is connected with the development of a legal mechanism for the regulation of the stock market—from the enactment of a framework law on securities to the creation of a state agency directly responsible for the regulation of the secondary stock market. This will be essential in minimizing the impact of speculation on the appeal of investment in enterprises slated for

privatization. The second factor is connected with the market itself. Dynamic changes in the market value of stock will require a quick reaction and the correction of the existing list, or an in-depth analysis of the market situation and a combination of methods to appraise the market value of enterprises for an understanding of actual investment conditions. At this time the informative aspects of the list of the Russian top 500 exceed its practical value.

[Begin Box]

Role of State and Non-State Sectors in Creation of Federal Budget Revenue

The results of privatization in Russian look promising in general. The proportion accounted for by the non-state sector of production in total product sales already exceeds 54 percent, but this sector's contribution to federal budget revenue is relatively small, which is apparent from a comparison of profit distribution patterns in the two sectors (see diagram) [diagram not reproduced; see second boxed item below].

The state sector directs just over 50 percent of its profit into the budget in the form of profit tax, while the figure for the non-state sector is 39 percent. The non-state sector accounts for 58.2 percent of all profit tax benefits, however.

After conducting a comparative analysis of performance efficiency in these sectors of the economy, experts from the parliamentary Budget Oversight Committee doubt that the higher indicators in the non-state sector (profit margin and return on investments) were achieved as a result of superior performance. They point to the quicker rate of price increases in service branches (where most of the enterprises slated for privatization are operating). This is not accompanied by an increase in the physical volume of production and services. For the sake of comparison, the decline of industrial production in the non-state sector in the first half of 1994 in comparison with the same period last year was 30 percent, but in the state sector it was 22 percent. This might be due, on the other hand, to the state's efforts to support its "own" enterprises, but this nevertheless indicates that under the conditions of the economic policy of dependence the government has been conducting to date, there is no apparent direct link between the improvement of enterprise performance and a change in property status. [End Box]

Profit Use Patterns in State and Non-State Sectors

Around 50 percent of the profit in the state sector is used for the payment of profit tax, 16 percent is used to cover the cost of production development, 10 percent is spent on social needs, and 24 percent is used to cover other costs. The respective figures in the non-state sector are 39, 20, 11, and 30 percent.

[Begin Box]

Actual Sales of Authorized Capital Offered for Privatization in 1992-1994

Private subscription yielded 462.7 billion rubles, employee privatization funds purchased capital worth 59.4 billion,

direct sales and lease buyouts accounted for 141.9 billion, auctions for money yielded 12.4 billion, the proceeds of check auctions totaled 265.3 billion, competitive bidding sessions accounted for 16.5 billion, capital reserved as state property represented 34.7 billion, and the remaining unsold capital amounted to 562 billion rubles. [End Box]

Glazyev Stresses Importance of Investment

954K0223A Moscow KOMSOMOLSKAYA PRAVDA
in Russian 25 Oct 94 p DV-3

[Article by Sergey Glazyev, chairman of the State Duma Committee on Economic Policy: "We Must Learn To Count Other People's Money"]

[FBIS Translated Text] Today our economy is experiencing a staggering decline in investment activity, after which there will inevitably be a decline in industrial production. This year, according to our predictions, the decline in production capital investments will comprise 36 percent. The second wave of reductions in investments has begun (the first was in 1992, when the volume of capital investments in the economy dropped by two times, in 1993 by 17 percent). In other words, today the level of investments in our economy is four times lower than it was three years ago.

Considering the fact that we have encountered (due to the openness of our economy) the colossal influence of foreign competition, our industry must reorient itself toward solvent consumer demand if it is to survive. We must raise its level of competitiveness. Yet all this is impossible without investments. For example, the key problem for our industry is conversion of military production. The sharp decline in state contracts and consumer demand has led to the fact that the level of load on the capacities of machine-building enterprises today is 30-35 percent. At this level, enterprises cannot survive: They lack investments even for modernization of production.

At the same time, a paradoxical situation has arisen: Russian capital has withdrawn from the sphere of material production. And today we have, on one hand, a colossal shortage of production capital investments, and on the other—a surplus of our Russian capital, which is circulated in speculative operations. These are tens of trillions of rubles, associated with speculations on the currency market and the securities market. We must decide how to tie Russian capital in with industrial production. We have developed a concept of financial-industrial integration, and a draft law on finance-industrial groups is being prepared. Clearly, we will be unable to solve this problem quickly.

In this connection, foreign investments are an indisputable boon to the Russian economy. But only if these are investments in development of production, in the creation of new jobs, in the uplift of industrial activity. Then they must be welcomed. For the present time, the volume of direct foreign investments in development of our industry

is small. It comprises on average no more than half a million dollars a year, and does not set the climate on our market.

Yet in 1994, especially in the second half of the year, foreign investments of an entirely different sort began to flow into our economy. The Russian economy became a very attractive object for speculative capital. The overwhelming portion of our Russian capital is concentrated around servicing either foreign capital, or foreign goods. This type of entrepreneurship does not give a positive effect either for the growth of the national welfare, or for the development of the economy. On the contrary, it facilitates penetration of foreign goods and practically undermines domestic industry.

The boom which has arisen today in connection with the changeover to the monetary form of privatization (the chairman of Goskomimushchestvo [State Committee for Administration of State Property] estimates the volume of influx of capital at \$0.5 billion per month) is a boom in speculative capital. The mechanism of action of this capital is simple: Shares in our privatized enterprises are bought at a cheap price, resold several times here, and then end up on stock markets abroad. The shares in our enterprises have simply become the object of play of large speculative capital. Such capital gives practically no benefit for economic growth. It is specifically for this reason that we speak of the need for regulating foreign investments. We cannot watch calmly as the laundering of drug dollars is taking place on our market, as a colossal mass of speculative capital bursts onto our securities market, destabilizing it. The new draft law on foreign investments will be based on the principles of granting them a national regimen. By granting benefits to foreign investors, we discriminate against our own capital, which already has great difficulty in getting to production.

Moreover, there are certain sectors of the economy which must be secured for national business circles. This is primarily the raw material sectors: Natural gas, oil, and mining of precious metals. And here it is important that those who seek investments in these spheres stimulate the development of national industry. Let us take a typical example: The development of an oil deposit by the American firm Conaco. How is this happening? All imported equipment is brought in. Then—imported food products, then come foreign specialists who receive wages 10 times higher than Russian specialists, and the foreign infrastructure is built. These types of investments lead to the fact that the development of this deposit becomes a point of growth for foreign, and not domestic, industry. Therefore, spheres which are known to be profitable and non-risky for investment of capital should be granted primarily to Russian capital. This is the first object in regulating foreign investments.

Second is the goods-conducting network. All major Russian cities today are filled with imported goods. The comprador speculative capital was primarily invested in trade. In essence, there has been an expropriation of the goods-conducting network by the speculative Russian

bourgeoisie, which services the supply of import goods to the consumer. For our domestic enterprises which engage in material production, the main problem today is to get through to the domestic consumer.

There is one other object of regulation of foreign investments—telecommunications, means of communication, and the defense industry. An expansion of foreign firms into this sphere is going on today. Our national security, as well as our consumer interests, depend on what kind of communications system and what kind of informational space we have in our country.

Thus, we need a law on the system of regulating foreign investments which would ensure an influx of foreign capital into spheres that are beneficial for the Russian economy. The law must, first of all, create more reliable conditions for attracting foreign capital. On the other hand, it must define clear guidelines for the movement of this capital.

Shmelev Outlines Means To Tackle Inflation

954K0223B Moscow KOMSOMOLSKAYA PRAVDA
in Russian 25 Oct 94 p DV-3

[Article by Nikolay Shmelev, Russian Academy of Sciences corresponding member: "I Would Engage in the 'Energy of Grass'"]

[FBIS Translated Text] In relatively calm periods of our life, the government repeatedly assured us of the appearance of indications of economic "stabilization." What specifically does this term mean? As a minimum, "stabilization" includes four interdependent moments: Minimal rates of inflation (from 3 to 5 percent per year); actively and properly working money, capable of ensuring the most complex mechanism of savings, and this means also investments; a relatively stable ruble exchange rate; and finally on the basis of all this—a stable level of production. From this standpoint, I am afraid that stabilization in the classic sense of the word "will not shine" for us for at least the next few years.

I do not believe that the government, whatever it may be—left or right, communist or liberal—will be able to eliminate inflation altogether. We will not cut it off in two days, as they did in Estonia and Latvia. They in fact closed all of their unprofitable enterprises, including agriculture, depriving them of subsidies. How long they will be able to withstand this—I do not know. With our scope, it is impossible to act in this manner. May God grant that our annual inflation reaches 20-30 percent—a level which would allow us to exist tolerably and to retain certain hopes for the future. It has been proven that with an annual inflation of 50-60 percent there cannot be any normal processes in the economy. Yet in 1992 our inflation rate was 2500 percent, in 1993—900 percent, and this year it will be 250 percent, in the best case.

There are dozens of sources for domestic inflation. The budget is forced to support a huge ineffective sector of the economy by means of the printing press (huge subsidies and cheap preferential credits). First of all, there is the

unprofitable coal industry. Without state support, it will not survive. Theoretically, it is necessary to close Vorkuta tomorrow, the day after tomorrow—half of the Kuzbass, and already today—the entire coal basin near Moscow. But fortunately, there is no such desperate democrat or general who would dare to do this instantaneously. Such a step would mean catastrophe for the country. Secondly, there is the agro-industrial complex, which was not called the “black hole of the economy” for nothing. No matter how much you pump into it, still there will be no effect, because three-fourths of the money will be pilfered along the way by those same “red landowners and agrarian bureaucrats”—our kolkhoz-sovkhoz lobby. And finally, there is the military-industrial complex. We have made these toys for a few generations ahead, without resolving many problems of our army: The “numbered” cities, the “brain drain” (and this is the main capital of our country), etc. Theoretically, all this will be resolved all at once, but the country will not withstand it—it will collapse. These sectors can only be supported by the printing press, and the printing press is inflation. Therefore, the entire question is only about what measure of inflation the country can accept, and what level the government will opt for.

Perhaps, the problem of savings will be resolved first of all. Even at the current rates of inflation people have begun to put away at least 20-25 percent of their money for savings. Generally (I am not taking into account MMM and similar structures), they prefer to invest their money in dollars, and to place the dollars into circulation or keep them under their pillow. There are \$20-30 billion circulating around the country, which may be invested in something substantial and promising—the banking system, the stock market. Yet for now this money goes primarily either to the speculative finance system or to trifles such as the Luzhnikovskiy trade. The stabilization about which we speak does not depend on this.

The third moment: the stable exchange rate of the ruble. Its collapse is determined not so much by the relation of prices in rubles and dollars but primarily by mistrust in our national currency, the impossibility of placing it in serious investments. Here is my opinion: This ruble is practically hopeless. Its exchange rate has been formulated not for economic reasons, but rather for psychological ones. I believe we should not seek the axe under the counter. We need only repeat that which was done in the twenties: to issue a parallel chervonets with a fixed convertible exchange rate and gold assets, and secure it with IMF credit (they are giving it for the third year, and they are doing the right thing), and with everything that the state owns.

And finally, there is stabilization of production. By the way, I do not look so sorrowfully upon the curve of its decline. First of all, official statistics take into consideration primarily the former and current state sector, excluding the types of production which are not customary for us, and which are growing—the sphere of services, for example. Of course, at least two-thirds of all production is doomed to continue to decline. Simply because we do not

need it. Well, we do not need tanks and toxic substances, which the main part of our chemistry was engaged in, and we do not need Vorkuta coal—it is cheaper to bring it in from Australia. We need not 6-tonne trucks, but 1.5 tonne. Today and for many years to come, a serious competitor for our cumbersome “monster” may be only foreign industry. Only such companies as Sony or Phillips are capable of breaking through our producers. Of course, if we fully open our gates, we will have nothing left except certain high technology sectors of the defense industry and, obviously, oil and gas. Domestic production must be protected, but within rational limits.

There is in essence nothing new in what I propose. First of all, to implement a serious industrial policy which would determine whom to let live a few more years, and whom to let die tomorrow. This will be decided by an official. I do not like him, he is corrupt. But unfortunately we do not have an automatic mechanism for pouring resources from one sector to another, from confectionery production to metallurgy.

Secondly, I would spit on privatization of all these “monsters,” and engage, as the British say, in the “energy of grass”—our small- and medium-scale business. Help it grow, stop engaging only in the Uralsmashes, solve the problems of credits and stifling taxes which are so painful for it. But for now, in answer to the question of how soon our economy will become stable, I am deeply convinced that this process is a long and agonizing one, and we will have to live for years under conditions of such convulsions.

Governor on Economic Policy of Irkutsk Oblast

954E0139A Moscow KOMMERSANT-DAILY
in Russian 1 Nov 94 p 2

[Article by Natalya Gotova, under the rubric “Regional Budgets”: “Pragmatism Takes the Upper Hand in Most Prosperous Regions”; place and date not given]

[FBIS Translated Text] In parallel with the drafting of the federal budget, Russia's regions have been drawn into the budgetary process. Thanks to the current system of transfers, which redistributes financial resources from the most to the least well-provided federal subjects, the provinces' overall financial status looks more reassuring than the center's. The press conference held yesterday by the first vice governor of Irkutsk Oblast, Vladimir Yakovenko, which was devoted to economic policy of the local economic authority, attests to the fact that those regions which possess exploitable raw materials are entering the new financial year with the best starting positions.

According to Yakovenko, as of 1 October, 57.6 percent of the income portion of the oblast budget from the readjusted annual plan had been fulfilled (the analogous index for the federal budget being 39.7 percent), and 43.5 percent of the expenditure portion (48.9 percent for the federal budget). However, with respect to the budget deficit, the situation is not as propitious: estimated at 29 billion rubles [R], it in fact grew to approximately R100 billion. In this

connection, the executive branch intends to make creative use of the "new economic policy" declared by the federal government. The November session of the legislative assembly is slated to consider an adjusted budget plan adapted to the financial reality. In particular, individual expenditure items could be sequestered or canceled. For instance, the region did not have to spend a single kopek to finance northern shipment because approximately R196 billion came in from federal sources. This year the Russian treasury proved quite loyal to the oblast and covered the clean-up costs after the summer flooding in full, to the tune of R8 billion, and also brought about a mutual settlement with the oblast budget in the amount of R152 billion.

Nonetheless, in drafting the 1995 budget, the Irkutsk administration is trying not to attach any special hopes to federal assistance. Let us point out that it can allow itself to do this: the regional economy's overall economic condition has more or less stabilized, and the balance of payments is positive. Local industry's incurred debts total R2.2134 trillion and it itself is owed R1.85 trillion. Irkutsk Oblast is one of the top three for average wage—between the Siberian and Far Eastern regions. The reason for the region's economic stability lies, above all, in the presence there of flourishing export industries and, in particular, in the rise in converted enterprises.

Indexes of Fulfillment of the Plan, for the Federal Budget and the Irkutsk Oblast Budget, as of 1 October 1994 (in percentages)

	Oblast	Federal
Income	57.6	39.7
Expenditures	43.5	48.9
Deficit	344.8	65.0

In the course of drawing up the oblast's draft budget, the local government intends to stress lobbying (in the bureaucratic lexicon, this word has now lost its former negative connotation, rife with Communist maximalism) for three projects to develop northern condensed gas deposits in order to lower the cost of production for Irkutskenergo, an Angarskaya petro-techno-chemical company, and to develop the Savinskiy magnesite and Sukhoy Log gold ore deposits. Moreover, as it turns out, R4.9 billion has been allocated at the federal level to develop the magnesite deposit. For its part, the oblast administration is allocating funds out of the oblast highway fund to build roads to the Savinskiy deposit and to the condensed gas deposit at the budget's expense.

The Irkutsk administration notes as a special accomplishment the resolution passed at the October session of the legislative assembly "On the Resolution of the Russian Government of 30 September 1994, No. 1116, 'On Developing the Sukhoy Log Gold Ore Deposit in Irkutsk Oblast,'" in which the local representative authority deemed the development of Sukhoy Log advisable. This may have put an end to the protracted conflict between oblast legislators and the federal government over the

"illegality" of issuing shares in the Lenzoloto PO [production association] and of creating the limited joint-stock company by the analogous name with the participation of Star Technology, an Australian consortium. The oblast administration switched to a more constructive position after the Russian government's resolution took the region's demands into consideration. From its former lower house, the legislative branch has inherited constant arbitration practice in disputing the decisions of the federal authority. In fact, Irkutsk Oblast's last suit is still in the Russian Supreme Court. In the resolution signed at the end of last week, the legislative assembly proposed that its representative at the Supreme Court submit a petition to postpone the case until the passage of the corresponding decisions by the organs of the oblast's state authority. By 1 December, the Irkutsk Oblast administration must submit for consideration by the regional parliament a draft of a licensing agreement on the observance of the necessary conditions for regulating the oblast's legal status in the founding documents of the Lenzoloto AO [joint-stock company], a draft that allows the region to participate in the management of the joint-stock company, and specifically the receipt of proof that the investors possess sufficient means to develop the deposit effectively.

Federal Council Deputy Chairman on Banking Regulations

954E0097A Moscow DELOVOY MIR in Russian
20 Oct 94 p 4

[Interview with Valeryan Viktorov, deputy chairman of the Federation Council, by A. Detkov; place and date not given: "Legislation Will Lead Us Out of a Blind Alley"]

[FBIS Translated Text] Events of the past several months exacerbated what was previously a rather well-measured (or at least relatively predictable) financial life in Russia. There was the scandal surrounding MMM and a number of trust companies, as well as significant credit emission promised by the president and government to various branches and regions, the constant restraining of the dollar exchange rate, which has already become customary, carried out through large-scale interventions by the Central Bank, the lack of well-defined action by one of the key ministries—the Ministry of Finance—troubles on the futures market, and, of course, the ruble "collapse" of 11 October.

Life, however, proceeds at its own pace. Despite a certain tightening on the fund market, people continue to work and commercial banks have no intention of closing. Under these conditions there is a particularly sharp increase in the role of state organs, both legislative and executive organs. In general a clear-cut legislative and regulatory base of the financial market, even though it is not a guarantee against cataclysms, may possibly be that thread which in the end will lead us out of the blind alley.

Our interlocutor today is Valeryan Viktorov, deputy chairman of the Federation Council. Valeryan Nikolayevich is a professional economist.

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DELOVOY MIR readers have met him before (DELOVOY MIR of 30 September). Our interview today is devoted to pressing problems in banking and in the securities market.

[Detkov] Valeryan Nikolayevich, the view exists that the market needs bearer, highly liquid and profitable securities for small investors, physical bodies, and the like (which were offered by MMM, Telemarket, and others) but with realistic interest rates. Does the government intend filling that niche? What type of securities is it possible to expect on the market?

[Viktorov] It seems to me the assertion that small investors need bearer securities is far from indisputable. This especially applies to shares of stock, inasmuch as it is specifically the bearer shares that are insured against all possible machinations by both the issuers and by fund market brokers to a much smaller degree. As far as shares of the MMM Joint-Stock Company are concerned, they are not even bearer shares but very real surrogate securities called "share certificates of deposit" having no true legal power. The Russian market hardly needs such securities.

In general, if one speaks about the role of the government in supplementing the arsenal of securities, it should be borne in mind that it cannot and must not assume the function of "filling the niche" in the circulation of securities on the market. Issuing its own securities, the state appears on the market as a common issuer. Its goal is to attract additional financial resources necessary for the fulfillment of its economic functions at the expense of temporarily free monetary funds of enterprises and the government. In exchange for these monetary funds the state sells its own debentures—various types of obligations.

As commonly known, the structure of fund securities circulating on the market forms in a natural way under the effect of market demand and supply. The state participates in that process only as a seller of its own securities, while the volume of their supply depends, first of all, on the needs of the government in funds for specific purpose financing and on the needs of investors.

[Detkov] In the light of the scandals on the fund market (MMM, Telemarket) it has been suggested that "rules of the game" be established along with making the existing conditions stricter. At the same time a need appears for a control government organ. Several organizations are claiming that role: the Ministry of Finance, the Goskomimushchestvo [State Committee on the Administration of State Property], the Central Bank, etc. The existence of numerous independent organs will lead to the appearance of various and, it is possible, contradictory requirements. And, as a consequence, to considerable confusion, chaos, and new machinations. Is it proposed to create a single control organ?

[Viktorov] I think that the need for such an organ is not being questioned by anyone. As far as I know, at the present time the working group of experts at the State Duma Budget, Tax, Banking, and Finance Committee is

actively working on the preparation of a draft law on the securities market. It envisages the creation of a control organ in the form a federal securities market commission. The status, functions, and powers of the commission are yet to be fully coordinated.

[Detkov] At the present time the securities market is undeveloped. Only very well-known firms and banks are able to issue full-value securities. Other companies, however also need to attract funds. In order to maintain interest in the less well-known securities "self-quotation" of securities or quotes are made by well-known brokerage companies, but not by exchanges (inasmuch as trading in such securities at the exchange is unlikely). How does the government intend regulating these relations? Will it prohibit them? Will it grant licenses for the right to quote securities? Are certain forms of responsibility for firms quoting securities being provided for?

[Viktorov] It seems to me that the term "self-quotation," which has become so common in everyday speech, is incorrect in the professional sense. This is a pure exchange term and designates the establishment of two levels of prices in exchange trading: a maximum offering price and the minimum demand price. Securities may circulate on a market outside an exchange through professional brokers, in which case they (the brokers) establish concrete (but not the maximum) sale and purchase prices. There cannot be prohibitions against the purchase and sale of any securities by professional brokers, and correspondingly, this also applies to them setting their prices for on the securities. An issuer can sell his own securities, setting a certain price for them only in the initial distribution of the issue. At the same time the price may be anything (lower or above the nominal value or equal to it), but it cannot change throughout the entire cycle of initial distribution. If the issuer wishes to purchase or sell his own securities on the secondary market, he must obey the general correlation of demand and supply. On our market self-quotation became possibly only because its infrastructure is insufficiently developed, and the investors (mostly small investors) are not sufficiently literate in that regard.

As far as professional fund market brokers are concerned, for them, naturally there are no restrictions, nor can there be any in the quoting of securities. No special license for quoting is required. What is licensed is the professional activity of a broker in general.

[Detkov] In accordance with a presidential edict, advertising with an indication of expected profitability of financial investments has disappeared. At the same time, along with the disappearance of financial institutions for investors, all information on the attractiveness of investments in a certain financial company has also vanished. Advertising has become an "artistic" genre, which can be used only for the creation of an image. Also, the financial company attracts funds and uses a deposit agreement, time deposit, promissory note, etc., which clearly specify obligations regarding the return of the funds and the amount of interest earned, i.e. the amount of income is as real as a moving motor vehicle, and if the latter cannot move and

income is not paid out, legal liability comes into play in accordance with the law. Why can't these realities be advertised? Is it possible to expect some "slackening" in that respect?

[Viktorov] Without doubt the advertising of fund securities is advertising of a particular commodity whose value is determined not in accordance with its apparent consumer properties but by the information contained in it. That information can be correctly evaluated only by a fund market professional. The ordinary investor, however, as a rule, reacts too emotionally to security advertisements. In time our investor will also learn to trust not only repeated commercial spots but the advice and recommendations of professional brokers and consulting firms as well.

At present the main task is to guard the investor against unreliable information. Therefore the draft law being worked out spells out special demands with regard to advertising information as well as the responsibility of the advertiser for the trustworthiness of the information furnished. In addition to that, the already existing legislation prohibits the advertising of unregistered security issues. This prohibition remains in the new draft law as well. In cases involving a violation of this prohibition, registration organs have the right to sue the advertiser and seize and deposit into the budget proceeds from the sale of the advertised securities that have not been registered with the government.

[Detkov] Well, let us now go from the fund market to pressing problems in the banking business.

A presidential edict is now in effect requiring banks to supply information on client investments at the first suspicion of any irregularities by competent organs. Are any legislative measures envisaged for the protection of banking secrecy and exclusion of any possibility of leakage of information on the financial position of bank clients?

[Viktorov] The concept "banking secret" undoubtedly does exist, but, unfortunately, not as an independent law. The procedure of ensuring banking secrecy, however, is adequately described in the draft law of the Russian Federation on banks and banking in the RSFSR, which is currently under discussion. It seems that with the adoption of this law the problems that you mentioned will be resolved.

[Detkov] The question of imposing an income tax on revenues earned on bank deposits is being discussed in the press and in parliament. What are the possibilities of that law being adopted, and if that is possible, what are the proposed tax rates?

[Viktorov] It is true, that question is being debated. There are those favoring the taxing of income derived from bank deposits, and there are also opponents of it. It is difficult to predict the probability of such a law being adopted. It is only possible to say that the draft law submitted by the government to the State Duma raises the question of taxing interest and gains yielded by banks and other credit establishments at the source of their payment at a rate of

15 percent. The government is motivating this by the fact that in essence interest and gains on deposits is a variety of unearned income, therefore there is every reason to demand that those sums be subject to taxation. In case such a law is adopted, however, it is apparent that there will be a decrease in the attractiveness of additional investments in the credit system, as a consequence of which the credit establishments will have to compensate losses of the depositors with an additional increase in interest rates on the deposits.

[Detkov] Recently there has been a lot of talk about the early bankruptcy of commercial banks. What is the position of the government with regard to that issue?

[Viktorov] With respect to that issue the position of the higher chamber of parliament and the government are synonymous. Massive bank bankruptcies is a great evil for the economy, and cannot be allowed to happen under any circumstances. For that purpose there is a huge arsenal of special economic levers and measures. The task consists of using them in a wise manner. Such work is being carried out, first of all, by the Central Bank, whose task also includes the prevention of a stressful situation such as that.

State of Engineering Industry Examined

954E0117A Moscow *RABOCHAYA TRIBUNA*
in Russian 25 Oct 94 p 2

[Article by Gennadiy Lyulkin: " 'If We Lose Our Tool-Building Industry, We Risk Ceasing To Be a Civilized Country,' Claims Nikolay Panichev, President of Rosstankoinstrument Company"]

[FBIS Translated Text]

[Lyulkin] Machine building is the hallmark of a highly developed country. Japan, Germany, the United States, Italy, Canada and England are leaders in the manufacture of machine tools. In the 1980's the USSR's tool and instrument building industry was third in the world. But what about now?

[Panichev] The tool-building industry—the heart of machine building—is rotting away. In comparison with 1990 output has declined very significantly, by one-half. Production of stamping and forging equipment is down by 65 percent, and production of woodworking equipment by approximately 30 percent. Manufacture of machine tools with computer numerical control and universal milling machines has declined by 10-15 percent of previous levels. The drop in output is continuing this year as well.

To save themselves, enterprises are starting to manufacture new types of product, for the coal industry, for oil production, for the construction industry... The range of consumer goods being manufactured is expanding.

The situation with regard to scientific personnel is particularly alarming. Our key institutes are a big problem. Scientific teams are disintegrating. If we lose our scientific personnel, that will be a disaster. When the economy once again needs machine tools and equipment, we will have to go abroad to get them. Russia would then inevitably slide

into technological dependency, something that must be prevented at all costs. And we will prevent it.

[Lyulkin] On what do you base your confidence?

[Panichev] We have studied the status of metal-cutting machine-tool manufacturing, and we have identified five main areas: energy-related machine building, the automotive industry, the aerospace industry, consumer goods and the fuel-and-energy complex.

The automotive industry, as you are aware, is the locomotive of technical progress. When a KamAZ engine shop burned down, the very next day 30 directors of machine-tool plants flew to Naberezhnyye Chelny. We manufactured equipment for KamAZ worth R10 billion [rubles] in record time.

True, as of this date KamAZ has only paid us R3 billion.

In addition to KamAZ, we have also signed agreements with AZLK, GAZ, VAZ, ZIL and IZh mash. The automotive industry has big development plans. The tool-building industry is keeping its capacity at "full combat readiness" in order to be able to provide the necessary machine tools and equipment at any time.

Recently business relations were established with the oil industry in Perm, and now we are going to manufacture for them a whole series of equipment that they had originally planned to purchase in the West.

"Wouldn't it be simpler to order from us?" we inquired. And here is what they told us. "For one metric ton of oil sold in the West we get, let us say, \$1,000," said oil industry representatives. "And to buy a single deep-well pump abroad we have to sell 20 metric tons. If we sell that same oil in Russia, we have to pay a 78-percent tax. And to buy the same pump on the Russian market we would have to sell 60 metric tons, not 20."

Tax policy is encouraging the oil industry—and others as well—to look to the foreign market. Would it not be better to design tax policy in such a way that we could compete with Western manufacturers on a level playing field?

[Lyulkin] RABOCHAYA TRIBUNA has reported on a federal program called "State Protection for the Tool-Building Industry." What about it?

[Panichev] Yes, that program was approved on 3 February 1994. But I believe there are approximately 140 such programs in Russia today. And not one of them makes any provision for investment funds, which are not being allocated to them. In our program we requested 16 percent budget funding. And we asked that even that amount be given to the automotive and oil industries, not to machine tool manufacturers. When they receive the money they can begin modernizing their production, and we will earn

money off their orders. We need budget allocations in order to support our research and design teams.

[Lyulkin] Rosstankoinstrument, insofar as I am aware, also represents shareholders' interests in the international market.

[Panichev] Here is the situation. Europe is uniting, eliminating customs duties and introducing unified standards. If our products do not meet those standards, they will not be competitive.

Furthermore, all the tool-building companies around the world are getting together to form various groups. There is an association like that in Europe—the Central Committee for Tool Building (CECIMO), with 12 member states. Russia recently joined this committee.

Within the next two or three years Russian industrial enterprises will be retooling. Many machine tools now in use were purchased in the West. For example, 20 years ago 2,000 gear-million machines were supplied to automotive plants by Glisson, an American company. It would be profitable to modernize these in conjunction with the American company.

Our main partners are China, Malaysia, India, Iran and Turkey. That creates a problem, which is: delivering machine tools to China, for instance, requires operating capital. But at this time there is no structure in place to provide export loans. Bankers do not care for what purpose they extend loans, whether for domestic purposes or for exports. The rate is exactly the same.

[Lyulkin] But the state cares!

[Panichev] Precisely. When I export products, it stands to gain both economically and politically, by acquiring hard currency and increasing its influence on the world market. Therefore the developed countries have special banks that provide export loans on favorable terms. That does not exist in Russia. So a number of machine-tool builders have been forced to turn to foreign banks. For example, an American bank is lending to the Voronezh Heavy Machine Building Plant. Voronezh manufactures dependable presses which, I should note for your readers' information, are as tall as a five-story building and weigh 300-400 metric tons.

I have heard that an "Edict on Stimulation and Development of Exports" is currently being prepared. I hope that it will make provision for export loans.

The potential of our country's tool-building industry is quite substantial. Incidentally, this was demonstrated by the recent "Metalworking '94" exhibition. The Rosstankoinstrument Company AO organized a joint exhibition by 80 enterprises in our industry. The government of Russia must support our domestic manufacturers.

Government Foodstuffs Corporation Goals Set Forth

First Deputy Minister at 17 October Press Conference

954E0098A Moscow KRESTYANSKAYA ROSSIYA in Russian No 42, 24-30 Oct 94 p 1

[Article by Anna Toropina: "There Will Be Guarantees"]

[FBIS Translated Text] At a press conference in Government House on 17 October, Magomedtagir Abdulbasirov, the RF [Russian Federation] Deputy Minister of Agriculture and Food, Aleksandr Kalinin, the head of the Agroindustrial Complex and Food Market Department of the Council of Ministers and RF Government Apparatus, and Leonid Kholod, chief of the Price Policy Administration of the RF Ministry of Agriculture, told Russian and foreign reporters about the goals and tasks of the newly formed Federal Foodstuffs Corporation.

The intention of the drafters of Government Decree No 1121 (3 Oct 1994), which instituted the Corporation, is that it should serve the functions of regulating Russia's food market and create wholesale markets similar to those found in many countries.

It is not a resurrection of Gosplan or a return to times when each farm was told from above what to grow, how much, and how to market it. But it may signal the end of the worries agricultural producers suffered in recent years, when they didn't know who would take their products, or how much they could sell it for. The Federal Foodstuffs Corporation plans to conclude contracts starting next year for deliveries of specific products in autumn 1995, specific amounts at contract prices (taking account of inflation), and will pay partial advances.

We will be reporting soon on the specific forms of the Corporation's work, the contracts, and clearing system. Watch for it.

New Entity—New Bureaucratic Burden for Peasants

954E0098B Moscow TRUD in Russian 25 Oct 94 p 3

[Article by Yelena Berezneva: "Load Billions of Barrels. Do Peasants Need Another Bureaucratic Structure?"]

[FBIS Translated Text] Recently the government passed a decree creating a Federal Foodstuffs Corporation and a wholesale market system. This was the subject of a press conference in the White House by First Deputy Minister of Agriculture M. Abdulbasirov.

It is obvious the country needs wholesale markets. On the one hand, the farm commodities producer can't sell his grain, butter, and meat (for example, out of 11 million tonnes of grain that were supposed to pour into the "Motherland's granary," the Federal fund only got a puny 1.5 million). On the other hand, low-income city dwellers can't buy cheaper Russian-made products without middleman price hikes. Moscow store shelves are loaded with

food from overseas. The Volga region had bumper crops of tomatoes and watermelons, but even during the vitamin season, Russia's two capitals experienced shortages. And if the state doesn't take care of Russia's food markets, who will? So it did. It decided to create a federal corporation to use state funds to purchase foodstuffs and choose commercial agents on a bid basis.

The tasks of the new federal body are comparable in scale to ministerial tasks. For example, to "foster the development of the market infrastructure," "take direct part in creating a wholesale foodstuffs market," "implement a complex of measures to improve the quality of the goods sold." And even to organize "export and import transactions" that are so attractive to bureaucratic structures.

The government has directed the Ministry of Economy and the Finance Ministry to allocate over 78 billion rubles, and also investment credits for share participation in planning and building wholesale bazaars. And the Ministry of Agriculture and the State Property Committee will decide what portion of the shares of the wholesale markets and commodity exchanges will be turned over to the Corporation. Local executive bodies have been instructed to do everything they can to foster the creation and operation of regional units of the new federal body.

At the press conference, Mr Abdulbasirov (apparently he already heads the Corporation) sketched the bright prospects for merchants and consumers. He said he and his colleagues will work strictly on a non-profit basis and ensure repayment of state funds. The central apparatus will employ no more than 250 to 280 persons, chosen from among staffers of the Ministry of Agriculture. Ideally, the Corporation will be a kind of state agent, a "Central Foodstuffs Bank." In forming wholesale markets, some refrigerators and warehouses will partly become federal property (that is, the Corporation's property), but will remain partly under local jurisdiction. The new body will take over purchases of grain, milk, butter, eggs, and so on. These plans will hardly please Roskholeboprodukt, the present monopoly owner of the "Motherland's granaries." But Abdulbasirov believes the grain market "has room for the Corporation."

While generally welcoming the government's belated effort to take up wholesale trade, many journalists were still wary. The state has yet to settle with the farm producers even for last year's crop, which has already been bought and eaten, and has failed to provide financial support first to this year's planting and then to the harvest, yet suddenly it allocates enormous amounts of money to the above body under the Ministry of Agriculture. We might assume that the expenditures part of the budget will suffer from financing the "wholesalers." Especially that part which was supposed to go to the economic and social development of the countryside.

The government's decree seems to be timeless on this score; no dates are stipulated as to when the money is to be allocated, what it will go for, when the first wholesale markets will come into being, where they will be located, whether dairy, meat, fish, or grain. Or how many shares

the Federal Corporation will receive directly, and what taxes will be like. And, finally, what measures the "fathers of their wholesale brainchild" will take to ensure that our store shelves don't become loaded with uncompetitive, low-quality goods.

The impression so far is that the Corporation will mostly fulfill procurement rather than trade functions. The state, so to speak, has only guaranteed "cash on the 'barrelhead,'" but the barrels (storage and refrigeration facilities) in the localities are mostly privatized. The reverse process—de-privatization of someone's property—will not be cheap or easy. The easiest way is expropriation. In principle, of course, a revolution is always possible here, something which people have not managed to forget. But what about the Law?

By the way, the Corporation doesn't have many allies even in the Ministry of Agriculture. And this is instructive. Some specialists say frankly that the newly-hatched federal body and its clearing account—like Roskholeboprodukt before it—will soon turn into a commercial firm under the government's wing. And then the already secretive state granaries will become shrouded in even more secrecy.

But Doctor of Economic Sciences Ye. Serova, of the Institute of Economic Problems of the Transition Period, is quite categorical. She thinks that neither special governmental decrees nor this Corporation are needed to organize wholesale markets. All it takes is a plot of land to trade on. It would be more logical for the state to undertake to ensure that these markets aren't taken over by the mafia. Creating a Corporation which largely duplicates the Ministry is costly and unwise. Serova thinks that this "second Ministry of Agriculture" was created just so the state could get the lion's share of market and exchange shares, so as to dictate its terms to the peasants.

Time will tell who is right.

Plenty of additional bureaucratic structures have been created here lately. But we still have as many problems.

'Export' of Moscow Main Food Products to Other Regions Banned

954E0153A Moscow *KOMMERSANT-DAILY*
in Russian 2 Nov 94 p 3

[Article by Vladislav Borodulin under rubric "Protecting Consumer Rights in Moscow": "Boris Nikolskiy Recalls the Experience of Gavriil Popov"]

[FBIS Translated Text] Evidently recalling the experience of their Soviet predecessors in the struggle against shortages, the Moscow government has decided to ban exports of meat, sugar, and vegetable oil from Moscow. The telegram on this subject, from First Deputy Premier of the city government Boris Nikolskiy, provoked a stormy reaction from the territorial administration of the Anti-Monopoly Committee; administration chief Oleg Novikov, not trusting the effectiveness of planned legislative procedures, decided

to ask the mass media for help. To this day, however, Moscow authorities have refused to comment officially on the situation.

The telegram, signed by Yuriy Luzhkov's first deputy, Boris Nikolskiy, directs the city's internal affairs bodies and units of the Moscow railroad "to institute control in the territory of Moscow to detect and stop exports of meat, sugar, and vegetable oil outside the city." It is still possible to find some logic in the city authorities' return to the administrative measures which have proved their ineffectiveness (just recall Gavriil Popov's move to limit meat prices to 15 rubles per kilogram).

The fact is that Moscow's food markets are greatly influenced by two factors. First, the city is a consumer of the federal food fund, deliveries from which are theoretically intended solely for Moscow and no one else. Second, pleading that Russia's food market is not developed, the city authorities widely practice granting preferential credit to purchase food. Its loans, at the rate of 60 percent annual interest, go to more than 50 companies working in this sphere. Therefore the city authorities believe they have the right to ban exports of "their" food from the city.

It follows from the text of the telegram of the First Vice Mayor, moreover, that it is forbidden to export meat, sugar, and oil from Moscow, even if they are purchased by firms independent of the government—for example, in Belarus; at least, Boris Nikolskiy has made no objections on this score. It is obvious that this decision infringes on the rights of many food dealers; a substantial portion of the goods (especially imports) is in transit elsewhere via Moscow. This is more true of meat and sugar, because the vegetable oil market, according to experts, is less developed.

From the standpoint of Russian anti-trust legislation, food delivery practices in general and Boris Nikolskiy's telegram in particular, violate at least one article of the Federal Law "On Competition and Limitation on Monopoly Activity." Article 7 explicitly forbids "placing a ban on the sale of goods from one region of the RSFSR to another or otherwise restricting the rights of business subjects to sell goods" and "offering particular business subjects tax breaks or other benefits which place them at an advantage with respect to other business subjects operating in the same commodity market."

In connection with this, according to Oleg Novikov, GKAP's [Anti-Monopoly Committee] Moscow administration intends to write a ruling about the actions of the mayor's office and schedule special hearings on the matter. Novikov himself acknowledges, incidentally, that all the committee's previous attempts to compel the Moscow government to obey the law have ended in virtual failure; the government has only made editorial changes to the Anti-Monopoly Committee's documents that have caused the trouble, without changing their substance.

As for the Anti-Monopoly Committee's attempts to draw the press's attention to this problem, it clearly characterizes that organization's place in the structure of federal and local executive authority. The extraordinary economic

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idealism of these "fighters against the monopolies" evokes, at best, condescending smiles in the sectorial departments. Apparently, therefore, the appeal to the Constitution (rather than the anti-monopoly law, which would be much more logical) is the only available form of expression of the position of the city's Anti-Monopoly Committee.

The Position of Moscow's Anti-Monopoly Administration in Regard to the Actions of the City Government:

[begin box] In the opinion of **Oleg Novikov**, the chief of the anti-monopoly administration, the Moscow government's measures to restrict—actually, to ban—exports of goods are in conflict with Paragraph 1, Article 8 of the Russian Constitution, which says: "The Russian Federation guarantees the unity of economic space, free movement of goods, services, and financial resources, support of competition, and freedom of economic activity." Abolishing any kind of restrictions, Mr Novikov believes, will make it possible for entrepreneurs themselves to decide what credits to take and at what rates, what to buy, when, where, and at what price, and to conclude futures contracts. Such actions will foster commodity turnover, lead to relatively lower prices in the commodities market, and have a positive effect on overall attitudes toward reform.

According to the head of the anti-monopoly administration, its specialists were also convinced early on that Moscow's government is hindering the movement of commodities and services, but they did not have hard evidence of it. The administration has sent an official protest to Yuriy Luzhkov asking an immediate halt to direct violations of the Constitution.

"The capital city's economic separatism is not an exception but a characteristic phenomenon in many areas," Oleg Novikov believes. [end box]

Arms Export Sector Urged To Be Proactive

954K0230A Moscow LITERATURNAYA GAZETA
in Russian No 43, 26 Oct 94 p 10

[Article by German Lomanov: "Why Is Russia Being Squeezed Out of the Arms Market?"]

[FBIS Translated Text] The arms business is an extremely profitable one. Almost 200 countries of the world purchase weapons systems, while only five are seriously involved in developing and producing them. However, we can hardly be expected to remain within the five if continue to thoughtlessly conduct the process of conversion.

We Have No Gunpowder

Do you recall the epithets the years of five-year plans acquired? "Determinant," "deciding," and the like? So now we have the government of reforms declaring this year "the year of breakthrough into the arms market." Lots of luck!

Yes, we did sell Malaysia 18 MiGs (true, it is unclear whether or not we can cook potatoes in the palm oil they are providing us as partial payment, according to terms of the contract). Yes, Kuwait signed an agreement for the purchase of BMPs and Smerch missile systems. And last year Iran

purchased a submarine, 10 SU-24s, and 150 BMPs. It seems China intends to acquire a large consignment of SU-27s, another series of ground-to-air missiles, and licensing for production of the MiG-31. But perhaps it is still too early to be sounding the trumpets in joyous fanfare....

A report of the research service of the United States Congress emphasizes that Russia somewhat intensified its activity on the arms market last year, increasing sales from \$1.6 to \$1.8 billion (our statistics use the amount 2 billion—perhaps to round off the figures?). It is a reassuring figure—for those who do not know that we have reduced our export production volume as compared with 1986.

But the percentage of American firms on the world arms market grew from 55.8 to 72.6 percent in just one year. The United States has strengthened its position, while Russia is losing ground.

In logic there is the law of sufficient basis. Its essence is usually illustrated using one simple example. Gathering his vassals around him, the French king became terribly upset when he failed to be greeted in one of his castles with a gun salute. To the question as to what was going on, the commandant replied:

—Sire, there are over 30 valid reasons why.

—Name them.

—First of all, there is no gunpowder....

—Enough—the king interrupted.

We could have a great discussion on the disagreements between Rosvooruzheniye and the directive body of the military-industrial complex, which desires to trade its production output without intermediaries. We could discourse at length about lack of knowledge of the laws of marketing, the lack of sharp business sense. All that is so. But there is one chief reason for our departure from the world arms market.

We have no gunpowder.

Collapse of the once powerful "nine," the defense ministries, is turning the government's hopes to earn a worthy place for Russia in the arms market into illusions. And when I hear optimistic statements concerning "the year of breakthrough," I automatically think back to the story of my good friend, Vladimir Vishnevskiy. He founded a joint-stock company, Ametekh, that produces micro-breweries. These are all serviced by one individual. The technological process is controlled by computer. These breweries cost the client far less than similar ones in America, and they are in no way inferior in quality. In short, Vishnevskiy demonstrated that a Soviet engineer is entirely capable of becoming a successful businessman in the post-Soviet economy. And he would have become the hero of a success story, were it not for one thing....

In the past, Vladimir Vishnevskiy was the developer of a unique weapon. There is nothing like the Smelchak and Centimeter artillery systems, developed under his direction, being used in the world today. The problem-solving

capability inherent in these systems is such that a gun can operate according to the "fire and forget" principle. You can forget because you know that the very first round will hit its target.

When the Smelchak and Centimeter were declassified, military circles of a number of countries expressed interest in them and the government allowed them to be exported, insofar as it was quite clear that those systems that could be sold without damage to our army would bring the country hundreds of millions of dollars. But when has it been true in Russia that the right hand knows what the left hand is doing? Series production of these systems came to a complete halt. Only with difficulty was Vishnevskiy able to hold on to his circle of developers—the talented weapons experts got involved in building breweries.

In any normal country with self-respect, design personnel of that quality are held in reverence. But it would seem that the engineering elite is absolutely unnecessary to our economy. Vishnevskiy's fate is entirely typical. But at least he moved into business. While the high-class specialist from the Dimitrovgrad Nuclear Reactor Institute has gone into sanitary engineering. You have to stop and think—could it really be true that our country does not need intellectual potential?

From Crumbling Conversion to Collapse of the Sectors

Few people know that during Yegor Gaydar's first move to power, the government seriously examined the "zero variant" of conversion. The meaning behind this elegant expression is simple—do not give one budget ruble to "defense." One can only suppose that the authors of this concept rejected this patently absurd variant only out of fear of major social upheaval. Nonetheless, in 1992, military requisitions were reduced by approximately 70 percent. The consequences of such a crumbling "conversion" continue to this day to have Russia's military-industrial complex in a fever.

Without any doubt, we saw "hypertrophy" of the military-industrial complex (according to expert assessments, it "ate up" one-fourth of the gross national product). However, world practice shows that it is difficult even for the most economically powerful countries to cope with a conversion rate of 5-10 percent. Higher rates lead to the degradation of entire sectors of industry. Which is what has happened in Russia.

In the first year of "reform-type conversion," success was achieved in creating additional civilian production output capacities in only 274 of 634 plants. Why? Because just a little over half of the special-purpose credits reached the enterprises. This situation repeated itself last year.

As a result, enterprises were forced to hand over state budget appropriations received at the end of the year, almost in their entirety (99.9 percent), to commercial banks, in order to make loan and interest payments on their debts. Understandably they have not been taking out these loans for the fun of it—the promised state support

never comes, and you have to operate, you have to buy materials and components, you have to pay people wages.

Declaring its support for conversion, the government has in fact been financing not the military-industrial complex, but rather commercial banks. In the opinion of experts of the State Committee for the Defense Industry, monetary funds are being pumped from the state budget into the banking system, while the military-industrial complex is working not to meet the needs of defense or the economy, but to enrich the banks.

Viktor Glukhikh, chairman of the State Committee for the Defense Industry, cites seemingly rosy figures: Today only one-fifth of the production output of enterprises of the military-industrial complex is military related. The remainder is civilian production. But his position requires that he be optimistic—he has to report on the results of conversion. Anyone can understand that a comparison of tank production to coffee-grinder production can only be made in terms of price. But the state establishes prices for tanks, while the market dictates the coffee-grinder price. Therefore, no serious expert would risk relying on Viktor Glukhikh's figures in evaluating structural changes in the military-industrial complex.

These changes are taking place not so much due to the growth of peacetime production output as to sharp reductions in the production of military equipment. On the other hand, administrative structures are undergoing restructuring at a frantic pace. Initially, the powerful "nine" defense ministries, converted into modest departments, were placed under jurisdiction of the unregulated super-ministry of industry, which was eliminated shortly after being created. The remaining "eight" were then united in the Russian Federation State Committee for the Defense Industry, its control functions once again being curtailed. There was a recent rumor that they were intending to transform the committee into a department of the Ministry of Economics. Permanent reorganization of the apparatus is a wildly fascinating idea, but a disturbing one to officials, and it could never substitute for the real diversification of defense industries. But this is proceeding sluggishly.

A Programmed Lag

Foreign firms are gladly taking advantage of the powerful science and technology potential our Motherland is demanding for the military-industrial complex. For example, the Central Aerohydrodynamics Institute completed in the ex-USSR practically all its theoretical studies and statistical research for aircraft engineering. Today the Russian Federation Ministry of Defense is not listed among clients of the institute, which include, however, the Boeing Company, French, German, Indian, Japanese, South Korean, and British firms that are currently providing one-third of the research and experimental design program of what is the largest aircraft scientific research institute. A great many similar examples can be cited.

But the problem is that our military-industrial complex, in trying to survive, is beginning to work for someone else. The problem is that it does not want to work for our own

Armed Forces. Difficult financial circumstances are forcing many plants to the verge of shutdown. They are unable to obtain money from the Ministry of Defense for production output already delivered. And it is unlikely they will obtain it—Viktor Chernomyrdin stated in a recent speech that there is no money, and there will be none. If some money were to appear, it would be very little.

Is it surprising that by hook or by crook enterprises are trying to avoid defense requisitions? The low utilization of equipment (10-15 percent) and the need to maintain so-called mobilization (in the event of war) capacities make the production of arms expensive and unprofitable. A real danger has arisen that not only might we lose research-intensive, promising technologies, but we may sharply degrade the country's defensive capacities as well. With such a decline, how promising can hopes of ensuring conversion of the defense industry through arms sales be?

To this—I repeat—purely rhetorical question, several others, no less serious, could be added. This year and the year before last, military outlays and arms production were sharply reduced. Where did the money go? Which depressed sectors of industry did we succeed in enhancing by virtue of the money saved? Why do our structures of authority consider conversion not a state mission, but rather a private endeavor of the military-industrial complex itself? Why is there no concept as yet of the structural-technological integration of the defense industry into the civilian economy? Why is the federal conversion program, even the present one compiled from different industries into one, kept on hunger rations?

In just two years we have managed to reduce eightfold the index of expenditures for research and design work in the "defense industry." We still have the Tors and MiGs we inherited from the ex-USSR, but we have already programmed a future technological retardation into our Armed Forces and the defense industry.

A new air-cushion assault-landing ship, the Bison, was recently commissioned in St. Petersburg. The vessel is capable of speeds up to 70 knots, on land or water, and can negotiate a channel of up to three meters in height. The Bison's hull capacity is 250 tonnes, one-fourth greater than American air-cushion vessels. Commenting on the appearance of this unique ship, one highly placed Pentagon official noted: "It would be cheaper to give the Russians \$10 billion for them to change the production profile of a few enterprises than to try to keep up with them here."

Quite frankly stated.

Commentary from the LITERATURNAYA GAZETA Economics Section

Problems associated with Russia's military-industrial complex arise constantly when the fate of economic reform is being discussed. And these problems have either ripened or overripened to the point that many experts have lost all hope of emerging from the crisis in an "amicable" way. Virtually all these sore spots are pointed out in G. Lomanov's article, along with the methods that could be

used to "treat" them. Prescription No. 1 would be to begin real reform. For it is easy to say—"We do not need Howitzers" and draw the line there. This is not reform—it is profanity. There are 5,000 military production plants in Russia, where approximately 15 million engineers and workers are employed. In total, about 55 million individuals work in the military-industrial complex. Even without looking to ethical considerations—which, it would seem, are not operational inside the Garden Ring, but being guided only by elementary common sense, one can understand that it is better to have this social grouping as a friend than as an enemy. Unfortunately, economic policy has been conducted proceeding from political considerations up until very recently. Political considerations that were, incidentally, deeply erroneous—using economic methods to shift Russia's managers to as low a position as possible on the social ladder.

All of this does not sweep aside the objective fact that our super-militarized economy is in need of true conversion. And if our oil generals do not voluntarily share the oil rents with the defense industry in order to "rearm" production, then the military-industrial complex will acquire it by force—which it presently has in abundance.

These same considerations can also be addressed by our authorities, who do not allow our manufacturers to produce for export, blocking to this day the establishment of financial-industrial groups.

The destiny of our reforms and, without exaggeration, of Russia as a whole depends on how adequately and promptly the problems of Russia's military-industrial complex will be resolved (in the context of economic reforms).

Tula Machine-Building Plant's Conversion Successes Detailed

954F0172A ROSSIYSKAYA GAZETA in Russian
25 Oct 94 p 3

[Article by Nikolay Kireyev: "Guns for the Market, Pools for Themselves.... Tula Weapons Makers Have Found Their Own Recipe for Survival"]

[FBIS Translated Text] Tula—This all happens with the Tula machine builders because they do not depend on the state's pockets.

The Tulamashzavod Company has not only changed names in its 55-year history (machine-tool building plant, P.O. Box 96, Ryabikov Machine-Building Plant) but also its products list. It has manufactured Maksim machine guns, antitank weapons, mortars, aircraft machine guns, weapons for armored equipment and naval vessels, metal-cutting machines, hosiery, spinning, and twisting frames, petroleum, and coal industry equipment.... Nearly 40 years ago the enterprise began producing motor scooters. You can see them on the roads to this day—the Turist, the Tulitsa, the Muravey, recently joined by motorcycles like the Tula and the Vepr, and also three-wheeled motorcycles.

The plant's oldest worker, General Director Vadim Usov, thinks that they have realized in time that it is suicide to rely solely on the state's pocket and subsidies, so they have geared their survival program to a flow of funds from the sale of products, expanding their assortment to meet people's demands and ability to pay, and entering the world market. Low-priced items you can find there include motorcycle equipment, spare parts, and the Tarpan cultivator using the tried-and-true motor scooter engine.

Right now, the plant is turning out about 40,000 motor scooters a year. The marketing office estimates that the demand for them in Russia and the CIS countries alone is more than 200,000. But if the enterprise had relied on the domestic market alone, it would have gone down the tubes long ago. The largest share of profits comes from exports. It is the tried-and-true Muravey that is pulling the load: It is sold in almost 20 countries; its load-carrying model is especially popular in Latin America, and it is making inroads in Europe and the Orient. Only 20 to 30 percent of all exported items are sold abroad fully assembled; the rest are put together in place, in the countries of purchase. This makes it possible to save shipping costs and taxes.

For example, several Muravey assembly lines have been set up in Argentina; Tulamashzavod specialists are on hand there. Exports not only bring in hard currency but also foster improved quality, reliability, and design. Without this, the foreign market could simply be lost. For example, the Japanese want to compete with the Tula people in Latin America's motor scooter market. To avoid being left out, the Tula people are working intensively to improve the export model of Muravey—increasing its carrying capacity, installing electronic ignition, improving its lacquer finish, cooperating with other enterprises to develop a new, more powerful, economical, and ecologically clean diesel-gasoline engine.

Still, the plant is known chiefly as a major producer of military equipment, which used to bring it renown. Now the output of defense products has dropped to 20 percent, but on the other hand the output of civilian and consumer goods has been raised to almost 80 percent.

The general director shares his secret: "We did this by using dual technologies. Let's say we are producing guns for infantry combat vehicles and rapid-fire anti-aircraft weapons, which, because of their huge workload, require toughness, reliability, and precision. Now these weaponry plants have started manufacturing mine drills, coal combines, and submersible pumps for oil workers. The experience gained in manufacturing military equipment makes it possible to use our technologies in medicine. For example, the Kvazar laser perforator for clinical analysis of blood without damaging the skin prevents various infections, including AIDS.

"These days, all many manufacturers can talk about is the chaotic market, the collapse of the economy, and disintegration of the social sphere. Our company pays special attention to people. We are building our own housing and allocating it free of charge; our machine builders were

placed in a hundred apartments in both 1992 and 1993, and by the end of this year an equal number will receive apartments. In the near future, our own brick plant will turn out its first batch. We have 12 kindergartens, eight swimming pools, and one of the city's best medical centers. This year, the Sukhodol children's recreation camp opened its own medical facility. The Khoroshovka tourist center is being enlarged. We have a Palace of Culture, and we sponsor schools, a lyceum, a technicum, and a branch of the technical university. The best students receive stipends honoring famous Tulsans such as Demidov, Degtyarev, and Sadykin. Our farming operation produces goods for plant cafeterias, which enables us to provide low-cost lunches, milk, meat, and butter.

Air Search and Rescue Chief Interviewed

954E0102A Moscow KRASNAYA ZVEZDA in Russian
26 Oct 94 p 2

[Interview with Lieutenant General of Aviation Gennadiy Amelkin, chief of the Federal Aerospace Search and Rescue Administration under the Russian Federation Ministry of Defense, by KRASNAYA ZVEZDA correspondent Aleksandr Andryushkov; place and date not given: "Disaster Knows No Nationality, And We Should Also Look After the Rescuers Together"]

[FBIS Translated Text] *Inroads by glaciers... Flooding everywhere... The impact of gigantic meteorites, volcanic eruptions, and earthquakes. Wars, accidents, and disasters... Only the unique capability of man to adapt to all the natural and social cataclysms has saved the human race. But when he finds himself in trouble he has always directed his plea for help to the heavens and his brothers. Disasters occur suddenly even today. Lt Gen Avn Gennadiy Amelkin, chief of the Federal Aerospace Search and Rescue Administration under the Russian Federation Ministry of Defense, tells a KRASNAYA ZVEZDA correspondent about those who come to our assistance in an emergency and their problems.*

From KRASNAYA ZVEZDA's files: G.V. Amelkin was born in the town of Arkadak, Saratov Oblast, on 20 June 1941. He graduated from the Balashovskoye Higher Military Aviation School for Pilots and the VVA [Military Aviation Academy] imeni Yu.A. Gagarin. He served in different command positions in military transport aviation. He was deputy chief of staff for long-range aviation for two years. From 1988 to 1991 he was the general officer commanding an operational task force in the Arctic. In 1991 he headed the Aviation Search and Rescue Service. He has served in this capacity since 1992.

[Andryushkov] Gennadiy Vasilyevich, A special aviation search and rescue service to help disaster victims was established in our country in the early 1970's. Nearly a quarter of a century has gone by since then. What does Russia have today?

[Amelkin] Since we began this discussion from a historical standpoint, let us talk about the destiny of our service from its origins. I am deeply convinced that there is no more humanitarian task for any state than rescuing the victims

of a disaster. You will recall how we rushed to help the Chelyuskin aviators in the 1930's, and that it was considered the highest honor in battle during the war years to save a friend. But the first aviation detachments of professional military lifesavers were formed in the USSR only in 1971 in the Moscow and Leningrad military districts, and after six years a unified state search and rescue service to aid disaster victims was established. The flexible and highly mobile system covered the entire territory of the former Union. It combined the forces and resources of all departments with aircraft. Its specialists—pilots, parachutists, physicians, engineers—were prepared to render assistance to victims of disaster on land and sea.

All of the country's territory was divided into regions and zones of responsibility conforming to the boundaries of military districts. About 350 airplanes and helicopters were on call around the clock. A duty crew was given 10 minutes for takeoff after a disaster alarm. Additional forces joined the operation in an hour and a half. Both professionals and supernumerary rescue detachments were enlisted in the search and rescue efforts.

The unified PSS [search and rescue service] system, like the country, collapsed in 1991. But life demanded that the service be revived. Aviation and maritime accidents can be expected, catastrophes involving technology have become more frequent, and natural cataclysms involve terrible disasters. The SOS alarm continues to be heard over Russia and the CIS countries. The Federal Aerospace Search and Rescue Service was established by an edict of the Russian president on 16 September 1992. Only it must be stated frankly that there is no better guarantee that victims of a disaster will be saved.

[Andryushkov] Obviously, the problems in overall reform of the Armed Forces have affected the newly formed service as well.

[Amelkin] Yes, the question of our departmental subordination has become critical. One of the alternatives provided for the transfer of military rescuers to the Ministry of Emergency Situations. Would this be of more value? I doubt it. This would mean fragmentation of the service's forces and resources. Military rescue personnel would "inflate" the staffing structure of the MChS [Ministry of Emergency Situations], but the aircraft would remain under the Ministry of Defense. Operational efficiency in the conduct of search and rescue operations would decline.

We may say today that common sense has prevailed. Nearly two years of reorganizing the unified State Aviation Search and Rescue Service has reached the finish line. This April the president of the Russian Federation signed the edict establishing the Federal Aerospace Search and Rescue Administration under the Russian Federation Ministry of Defense. The government adopted the Statute on our administration by a special decree on 19 June 1994.

[Andryushkov] What have they stipulated that is new and what powers did the service acquire after reorganization?

[Amelkin] The principal assignment of the administration is to organize the search for and rescue of passengers and crews of aircraft involved in accidents and the search for and evacuation of cosmonauts and spacecraft from the points where they came down on land or water, as well as to render assistance with aircraft to persons involved in technical accidents, catastrophes, and natural disasters throughout the territory of the Russian Federation.

Inasmuch as the Federal Aerospace Search and Rescue Administration (FPSU) operates as a state institution under the Ministry of Defense, the minister of defense has issued an order granting me the right, as its chief, to give instructions to the persons in authority in branches of the Armed Forces, military districts, fleets, and components in matters dealing with the direct organization of aerospace search and rescue and to monitor the execution of these instructions. In a word, the FPSU performs the role of a search and rescue service for aviation of the Armed Forces in the Ministry of Defense structure.

The solution of other matters related to the formation of the aerospace search and rescue system now depends on the Federal Assembly. The State Duma should adopt the "Air Code of the Russian Federation," which will define the bases of aviation search and rescue in the state, in the form of a law. In addition, the government should confirm the Federal Aviation Regulations and the supplement to the code "Search for and Rescue of Aircraft Passengers and Crews." The drafts of these documents have been worked out.

[Andryushkov] Documents do not play the decisive role in rendering aid to disaster victims, however. This is done by specific individuals, the military lifesavers. The number of personnel is stipulated by the statute on the FPSU. But if we take the size of Russia's territory into account, one person is responsible for a region the size of Poland...

[Amelkin] You have touched upon one of our most critical problems. You know, the military aviation rescue personnel were not idle during the entire period that the service was being reorganized. We provided support for flights by all the ministries and departments and rescued people in emergency situations. The rescue personnel have a huge workload. Compare this: In the United States, 9.3 million square kilometers are covered by 310 aircraft, but over 17 million square kilometers in Russia are served by 260 aircraft (less than 20 percent of which are in regular service). These forces are extremely inadequate. The fleet of aircraft is hardly being updated at all. Nevertheless, military rescue personnel helped 160 persons, 108 of whom were cockpit personnel, escape disaster in 1993. Some 269 victims of natural disasters were evacuated. It is no easier this year: 63 persons (34 cockpit personnel) were rescued in aviation accidents, and we evacuated 682 persons in natural disasters. And this is without taking into account the tragedy in the Kuril Islands. Rescue operations are still under way there.

I point out two of the most complicated problems in organizing aviation search and rescue at present, the roots

of which lie in the country's uncontrollable transition to the market. After the Ministry of Civil Aviation was abolished, the newly formed aviation concerns and joint-stock companies were more concerned about any means of achieving maximum profits than in providing for aviation safety. I am certain that they cannot guarantee passengers that their flights will have a favorable outcome. Especially the rendering of assistance in an emergency. The newly fledged "aviation firm owners" are reluctant to interact with the military rescuers. They turn to us when the fat's in the fire, as they say.

It is hard for our people. Professionals are leaving the small air search and rescue units because of financial considerations. There are cases when it is hard to man the duty crews. This leads to a decline in the dependability of search and rescue support. Generally speaking, there is one price for miscalculations in forming a system to help disaster victims—human life.

[Andryushkov] I think it is appropriate to add here that tragedy is essentially international in nature. It knows no boundaries. If there is interaction between rescue personnel in the CIS today, are they prepared to render assistance to each other?

[Amelkin] As far as I know, the former republics in the USSR have their own rescue services. I will not make a judgment on the level of their professionals' training, since there is no collaboration. Although certain conclusions may be drawn from experience. For example, take the recent tragedy in the Baltic Sea with the ferry Estonia. The Scandinavians rescued those who were drowning there. The Estonians refused help from the Russians. This purely political gesture will weigh heavily on their conscience, I am certain. Our forces and resources were prepared to provide assistance to the people. There is no center for overall coordination in rendering disaster assistance in the CIS today. It is critically needed—after all, disaster knows no nationality. It may turn out that many former republics will prove to be zones of increased danger which people throughout the world will avoid.

[Andryushkov] Gennadiy Vasilyevich, is it really necessary to demonstrate in the various state structures that the military rescue personnel know how to work well, that their authority is appraised highly everywhere, and that this very specific service is essential to Russia itself? How long will lifesaving be based on the residual principle, so to speak, stemming from the "economic difficulties." I have here a letter from a lifesaver in the Far East. It contains a cry from the heart: Supply us with the equipment and resources we need—otherwise, we will not be the ones rescuing others, we will have to be rescued ourselves...

[Amelkin] The Federal Aerospace Search and Rescue Administration is standing on its own feet in its new role under the difficult conditions in most other structures. It is naturally experiencing similar problems. We do not have enough funds for new and improved emergency rescue equipment and materials, the fleet of helicopters and

airplanes is becoming obsolete and is not being replenished, and there are many other minor but exhausting problems. We are being saved at present by the fact that the rescue personnel are persons who are deeply devoted to their work and prepared to surmount numerous difficulties officially and in everyday life. But can people be patient for a long time?

Oil Export Problems Examined

954E0118A Moscow KOMMERSANT-DAILY
in Russian 26 Oct 94 pp 1, 3

[Article by Vadim Bardin and Nikolay Podlipskiy: "Oil Lobby Opposes Export Liberalization"]

[FBIS Translated Text] In trying to define an oil export procedure in 1994, the president has already had to take one step back. In May an edict was issued "On Repeal of Quotas and Licensing for Supplies of Export Goods," and on 1 July exceptions appeared in the general procedure. The Edict "On Petroleum and Petroleum Product Export Procedure for 1994" retained oil quotas, licensing, and privileges through the end of the year. Judging from the results of the meeting held yesterday by the commission on operational issues, oilmen, with the support of the Ministry of Foreign Economic Relations (MVES), intend to repeat their success, regardless of the Russian Government memorandum to the World Bank, and retain the "licensing" procedure for next year as well.

At the meeting, Oleg Davydov, minister of foreign economic relations, came out as the main champion of retaining special oil exporters and the state oil export system. His speech did not correspond at all to the image of staunch supporter of all liberal undertakings in the regulation of foreign economic affairs that the minister has been assiduously creating for himself behind the doors of government offices. Nonetheless, the arguments Davydov cited, while not new, are quite significant. Ideally, special exporters should be better able to trade than others; they have an echelon system of currency control over them. In addition, the quota system out of which the special exporters first arose also takes into consideration the requirements of the domestic market. In addition, full liberalization for exporters could take Russian export back to its 1992 state, with the sole difference that now the gap between domestic and foreign prices has been closed substantially. (According to data on the balance of payments, in the first six months of 1994, prices for petroleum exports declined by 12 percent, and for petroleum products, by 22 percent.) In an attempt to retain the budget's main source of currency earnings, the minister has proposed freezing everything as it is. Why change what is so good as it stands?

Oleg Davydov was supported by Yuriy Shafranik, fuel and energy minister. Expanding on the theme, Shafranik came out in favor of introducing seasonal export quotas. In essence, they have already been tested: In the winter the export of fuel oil was restricted; in the spring "released."

Although they proposed retaining export quotas for petroleum and petroleum products, the ministers said nothing about the fact that quotas are inextricably linked with

privileges. Meanwhile, oilmen support the idea of maintaining quotas only as long as their tariff privileges are not affected.

According to MVES assessments, in the first eight months of 1994 the budget experienced a shortfall of \$2.8 billion because virtually all petroleum exports were released from export duties on the strength of state and enterprise quotas.

With respect to access to export pipelines, whose capacity is the objective export quota, the unanimity of Davydov and Shafranik obviously shows signs of cracking. While supporting the idea of bidding, Shafranik frankly favors priority for petroleum producers, that is, not for those who know how to trade but for those who produce.

As a result of the commission's meeting, it was decided to recommend that the government retain the 1992-1994 petroleum export procedure model in 1995. The next meetings are supposed to consider the export procedure for other "strategic goods" as well. If the current decision becomes a precedent, and if the prime minister agrees with the opinion of Oleg Soskovets' commission, the government will find itself in an ambiguous situation. First it approved and sent to the World Bank a memorandum on Russia's economic policy in late 1994 and 1995; now it is preparing to eliminate the central point of its promises in the sphere of foreign economic liberalization: rejection of special exporters, quotas, and licensing. This kind of turnabout, if it does happen (and there are still serious doubts on this score), will perplex the memorandum's addressees, to say the least.

Meanwhile, there is another scenario that would allow us to fulfill our obligations to the West and retain special exporters. What is most curious is that this scenario is being worked out in the bowels of the same MVES. KOMMERSANT has already written that it is quite possible to kill two birds with one stone within the framework of renewable registration of participants in foreign economic affairs. In this case, exporters of "strategic" goods would have to register with the MVES. Selection in favor of the obviously more confrontational solution will mean one of two things: Either the registration idea did not receive the support of the Ministry of Fuel and Energy and other departments, or the loan refusal received in Madrid provoked Moscow's desire to renege on its own promises.

[Box, p 1]

Unimplemented Decisions of Oleg Soskovets' Commission

- The right to register special petroleum and petroleum product exporters was never transferred from the MVES directly to the government in 1994.
- The number of special exports was not restricted to six organizations by mid-1994. According to information from Oleg Davydov, minister of foreign economic relations, as of 25 October the club of special petroleum exporters had 18 members. [end box]

Coast Guard Antipoaching Action in Far East Critiqued

954Q0070A Moscow ROSSIYA in Russian
No 41, 1 Nov 94 [signed to press 25 Oct 94] p 7

[Article by Sergei Saktaganov: "Japanese Poachers Return Home Successfully With the Permission of Russian Border Guards and the Office of the Public Prosecutor"]

[FBIS Translated Text] Southern Sakhalin—The last issue of the newspaper discussed the course of the "Putina-94" operation. Despite the undoubted usefulness of this operation, we have not experienced complete satisfaction and legal pride in the operation's completion. The final stage of the operation, which was implemented in the Far East, cannot be called victorious in any way. In concluding our discussion of the "Putina-94" theme, we present materials gathered by our own correspondent.

The final stage of the "Putina-94" operation, which was begun on the seas of the Far East in order to avoid the brazen plunder of Russian maritime resources by foreign poachers, was concluded with embarrassment. However, its "heroes" were not Japanese or Chinese fishermen, but our own keepers of the border and guardians of the law. Vladimir Kashpruk, chairman of the Kuril Region Committee for Environmental and Natural Conservation, has accused the administrations of local border guard organs and the office of the public prosecutor of malfeasance in office, related to losses of Russian maritime resources valued at almost \$6 million.

What is almost a detective story begins on 29 June, when about 6.5 miles from the shores of Iturup Island workers from the maritime inspectorate of the oblast natural conservation committee discovered two Japanese schooners catching various types of fish in Russian territorial waters. We do not know how this meeting would have turned out for the crews of Khayato Maru 51 and Khiro Maru 8 if a regular coast guard vessel had been there instead of the maritime inspectorate's vessel. This time the poachers were out of luck. The workers of the local inspectorate sail a Japanese schooner that was confiscated from similar violators and for this reason they are able to move at equal speed and to detain the poachers with ease.

Furthermore, things progressed in the stipulated manner for such cases. The inspectors forced the Japanese to raise the decks that had been brought forward for the fish catch, and drew up protocols. Registered to the Hokkaido city of Rausu, the schooners were escorted to a filtration point in Krabozavodsk, the fishing equipment was confiscated, and the fish that was found aboard was handed over for processing to the local Ostrovnoy combine. Nothing unexpected foreshadowed the investigation that was to come, especially since the Japanese themselves immediately confessed to the violation of fishing rules. Kabayasi Masato, captain of Khayato Maru 51, who resided in the city of Rausu, also added the following to the protocol in his own handwriting: "I was engaged in catching fish in territorial waters. I knew that I was violating Russian laws, and apologize."

All that was left was to draw up the papers and submit them to the court in order to exact damages, previously established by the maritime inspectorate at \$5,848,750 from the poachers. Since the company that owned the transgressing vessels could not pay this amount, both schooners with all of their equipment were to be confiscated in lieu of payment. It should be noted that in this course of events there was nothing unusual in the behavior of the legal organs. In the waters of Sakhalin and the Kuril Islands today not only inspectors but also local fishermen, and when necessary, passengers, sail on schooners that are confiscated from poachers and then resold. As a rule, these schooners are equipped with the most modern navigation and industrial equipment, have powerful engines, and are reliable in bad weather.

But this time a happy acquisition for Russian rubles of samples of Japanese machine building did not take place. Here is what Vladimir Kashpruk told our ROSSIYA reporter by radio-telephone from Iturup Island:

"Almost half a month after the capture of the poachers, V. Chumachenko, the public prosecutor for the Southern Kurils, refused to bring criminal action due to the absence of adequate evidence. It would seem that literally all of the evidence is available, from the schooners themselves and the confiscated catch to the captain's handwritten admission! I immediately contacted the reception of the commander of the Pacific Ocean Border District, and faxed all of the existing documents there. I received assurance that the commander would order the detention of the schooners. This time the local border detachment exhibited enviable efficiency. While my conversations were taking place, and without waiting for documents from the office of the public prosecutor, but solely as a result of the telephone call, it assessed the situation and released both schooners to go home. Moreover, the schooners were not traveling light—the Japanese even took along that fishing equipment that we had essentially already confiscated from them! Since the breach of confidence, negligence, and even the obvious agreement among individuals in authority was self-evident, I immediately sent the oblast and interrayon natural conservation offices of the public prosecutor a statement with a request to immediately deal with this scandalous case."

The protectors of Russian maritime treasures waited in vain for help. They received the most mediocre formal reply from the Sakhalin interrayon natural conservation office of the public prosecutor—the materials had been given over to the oblast office of the public prosecutor. A month later the latter sent a response to Iturup Island in which it even reproached the inspectors for recording the violation on the wrong form and in an incorrect manner, thus rendering the documents invalid! As for measures to influence guilty subordinates, the deputy oblast public prosecutor, Viktor Todorov, informed the luckless fighters against poachers that the shortcomings tolerated by the individual fulfilling the role of the regional public prosecutor would be "examined by the latter!"

In general, it is hard to believe that the workers in our office of the public prosecutor remind us in even some small way of that noncommissioned officer's widow who flogged herself. Based on what has taken place, we can only draw the same conclusion that Vladimir Kashpruk came to—that at least on the oblast level the scandal was fairly successfully "suppressed."

However, the "troublemaker" of Iturup Island is not satisfied with this. As reported to our reporter by the chairman of the rayon natural conservation committee, not only does he intend to appeal to the General Office of the Public Prosecutor of the Russian Federation and to the commander of Russian Border Guards, he also plans to prosecute the Southern Kuril Office of the Public Prosecutor and local border guard organs for damages. Damages, let me remind you, that comprise the sum of \$5,848,750. If Vladimir Kashpruk wins his case in court, a rather remarkable page will appear in the history of Russian border guards and legal organs, informing us about how they paid for the tricks of Japanese poachers in the territorial waters of their own country.

Donbass Coal Industry Problems Viewed

954E0114A Moscow *RABOCHAYA TRIBUNA*
in Russian 28 Oct 94 pp 3-4

[Article by Viktor Andriyanov, reporting from Rostov Oblast: "Love and Alarm: The Eastern Donbass—Disaster Area"]

[FBIS Translated Text] *On a bookshelf in the general director's office was the latest book by Anatoliy Kalinin. Oh, that was a gift, he said: "To Aleksey Dmitriyevich Melkov, with whom I share a love for the land of the Don and alarm over the present and future of the people who live there, including ever greater alarm over the fate of the ancient vine. A. Kalinin, 10 December 1994." Love and alarm—wise and caring writer Anatoliy Veniaminovich Kalinin phrased it very aptly. A distressing confusion hangs over many of the Don mines. To be or not to be? In far-off Moscow offices the statistics are compiled: output, labor productivity, overhead of coal production, quality, distance... The decision about each mine and entire fields will be made by an interagency commission headed by vice-premier A. Shokhin. It is probably comprised of knowledgeable experts. They go over each figure and draw their conclusions. But figures are cold. You cannot see the people that are behind them.*

"But we are here among those people," said Aleksey Dmitriyevich Melkov, general director of Rostovugol AO, as if resuming a long-running argument. "We have to look them in the eye. And we cannot say to one mine, you have to die so we can give the money to another, more promising mine. We cannot say that to people; we have to be fair to everybody. But we are being urged just to do things one way. But we cannot give everything to one mine and cut off the others... On top of that, people are lining up to buy coal..."

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I saw them in the waiting room, and I read their telegrams and letters. Stavropol and the Kuban and all the Northern Caucasus republics are begging for fuel, as are the Volga region, Voronezh, Orel... While I was there a buyer from Yaroslavlenergo finally got through to Melkov: "Without your coal, we will have to shut down the city." European buyers came to bargain for the Don's hot-burning anthracite...

But I admit that I was most amazed by a personal story that I heard at my hotel. Staying there before me were two farmers, husband and wife, from some village in Lipetsk Oblast. They had sold a cow for R400,000 [rubles] and come to the Don to buy coal for the winter...

Let us, too, look in the eyes of these people that Anatoliy [sic] Dmitriyevich Melkov sees every day, the directors of enterprises, the trade union representatives.

In a Word: Regression

I was driven around the quiet, golden-hued streets of my hometown by Viktor Gavrilovich Tkachenko, until recently leader of a team of heading men at Gorkiy Mining Administration. According to the calendar fall had long since begun, but here along the Don the only things indicating the change of season were the maples and the piles of coal lying in front of the gates of homes, not yet moved under sheds. The yards behind low picket fences were still living on summer time, when people only go indoors at night.

Everyone in Ilichevka knows Viktor Gavrilovich, and he knows everyone, too. He grew up as his neighbors watched: Vitenka became Vitka, then Viktor, Viktor Gavrilovich and finally Gavrilych. Looking at the man who bears that name, you see that he is strong. Powerful shoulders and palms like shovels. He is only slightly stooped.

But it is not the years that weigh him down. It is the dust of the underground seams that has settled in his lungs that makes him slow his stride. Every shift left its scar, at first unnoticed. Twenty-six years spent underground have left this team leader disabled. (Of course, with proper individual protective gear and timely treatment disability can be avoided. But the mines have no money for preventive efforts. And job-related illnesses, on the decline until 1991, have begun to increase again, rising from 1,773 to 2,040. That is just within the Rostovugol AO in the past two years.)

When you meet Tkachenko there is no need to ask his profession: the dark blue marks on his face are more telling than any entry in his passport.

"Yeah, I got hit by some coal," Tkachenko explains, nodding slightly. As if to say, why spend much time talking about it, in a family where everyone from great-grandfather on down were miners. Even now everyone works at the mine. He—the representative of the trade union's regional committee on labor protection and technical safety—his wife and his son.

Viktor Gavrilovich is plainly proud of Andrey. His son just recently came home from the army, and has already been

made team leader. He gets every last bit he can out of the old seams. Dangerous? Of course. It is like walking through a minefield every time. That is the state of the supply department at Gorkiy, and not just there. But that is another topic; more about it later. Right now we are walking through the streets, and Gavrilych is recalling when each house was built: 1972, 1936, 1980, 1987...

The miners built well. Not two- or three-story houses, like the "new Russians" in nearby towns—there are none of those provocative mansions in Ilichevka yet—but quite adequate. The homes are built of brick and are spacious, usually with a garage next to the gate.

"I think I live pretty well," Tkachenko said of his home. "We've been successful. There was coal, and there was money to be made, for one thing. And we have a very hard-working family, that's another. We built it all ourselves..."

And maybe a third factor is that Viktor Gavrilovich bought all the materials prior to Gaydar's reforms...

"We were lucky!" he says, smiling broadly. "It was easier to build then."

Those who did not manage to buy materials soon enough have had to abandon their dreams of new houses. For a long time to come, it appears. Miners' families cannot afford new homes now...

...An old man sucks on his pipe in quiet contemplation, seated on a bench next to a picket fence.

"Shall we have a smoke, Mitrofanich?" asks Tkachenko, and introduces the homeowner. "This is Vasily Mitrofanovich Yuryev, and he was a great pick miner."

"Is your pension adequate, Vasily Mitrofanovich?"

"Just let the bosses in Moscow try to get by on R80,000. Two loaves of bread, and that's R1,200 gone."

I have known mining towns since I was a child—I lived near an ore mine and worked in an underground mine myself—and miners' families never counted what they spent for bread, it was so insignificant. When Yuryev retired on his R120 in 1977 he could have bought more than 900 loaves of bread. Now his pension only buys about 130.

The pick miner's son Vladimir is on the rolls as a fitter at the nearby Yakhont Plant but has not been paid for six months. His father's pension has to be stretched to support another family as well.

The old man receives a small supplement to his miner's pension, 25 percent. This is "regression," as they say in the mines, compensation for a work-related illness. The mine pays those rubles, when it gets money for wages. This year wages have only been paid on time three months, during the second quarter, when the pounding of miners' helmets on the White House door reminded the government of miners' existence.

We talked in early October. At that time Vasily Mitrofanovich Yuryev, who gave his all for the progress of his beloved country, had not yet received his "regression" for

July. Still ahead lay "Black Tuesday," cutting out another half of the as yet unreceived money, but what do the financial bosses in Moscow care about old men? You cannot squeeze any more out of them anyway. They will get by somehow.

"Gavrilych," Yuryev hopefully asked his workmate of long ago, "when they close the mine, they won't forget about us, will they?"

"I wish I knew that myself..."

Three or four houses farther along we meet someone else: Mikhail Petrovich and Valentina Ivanovna Saprionov. He slaved at the coal face, and she worked in a laundry, washing out the miners' work clothing, as heavy as iron. Mikhail Petrovich lost his leg in a cave-in. Like Yuryev, he is supposed to get "regression" pay. Supposed to, but just try getting it... And his pension is only R106,000. His wife get R54,000.

Their yard is tiny, with just enough room for a summer kitchen and a shed full of coal. Between the house and the picket fence there is a narrow strip of land. Flowers usually bloom there until late autumn.

"What kind of flowers do you like?" I asked Valentina Ivanovna.

"Flowers?" she asked in surprise. "I used to have dahlias growing here, but now I have a bed of onions and parsley." She fell silent and looked at her husband. "My old man is always worrying about what will happen with the mine. If they close it, God forbid, they will forget about us altogether."

Mines Shut Down Like Felling Timber

For a year now all conversation in Ilichevka, in the three towns around the Kirov Mine, at the Gornyatkskoye Mine Administration and at the Tatsinskaya Mine has revolved around one question: will their source of income be shut down or not?

"Here everything depends on the mine, you understand?" said to me Yevgeniy Semenovich Rugayev, director of the Kirov Mine. "We handle water supply, and sewerage, and garbage and roads. Everything depends on the mine."

He became director 15 years ago. His predecessors said: you're so young, why are you coming here?! Two years from now there won't be anything to do. But they worked successfully, because the coal was there...

Shortly after Rugayev arrived another mine, the Ayutinskaya, was taken over by Anatoliy Alekseyevich Leonov. They tried to convince him that the mine was on its way out, and they offered him output reduction programs.

"I ran those prognosticators off," recalls Leonov, "and they only had one thing to say: 'There's nothing more to be got out of the Ayutinskaya'."

When he was appointed director, in the head offices as well they tapped their fingers on mining maps and said, do you

see where you're headed? On their maps coal was marked in four colors, and everything else was in grey. Did he see how much grey was there?

"That was all right," commented Leonov, "we found some that was a bit darker."

He did not agree with the doomsayers. His experience as a mine engineer and his intuition told him it was too early to declare this mine dead.

"To make a long story short, we started thinking seriously about the future," continued Anatoliy Alekseyevich. "We brought in geological surveyors, discovered another deposit and built a new mine at the Ayutinskaya, virtually all by ourselves."

"And we held on to our workers," adds Vladimir Dmitriyevich Katalnikov, chairman of the coal miners' union's regional committee, until recently team leader of an automated equipment repair crew and chairman of the mine's labor collective council. The Ayutinskaya Mine's story is interwoven with his own. He has gone underground there day after day for almost a quarter century now.

Now their beloved mine has reserves to last 20 years, and even that is not the final word—more survey work on the seam is underway now. The association helped acquire a set of machinery to work the new face and it is operating at full capacity—1,400 metric tons a day.

Just recently the mine was the first, and I believe thus far the only, mine in Russia to meet its annual plan goal. I complimented Leonov, and his face became flushed with job. Not from the compliment alone, of course, but out of pride in his job and his mine, which he even dreams about at night.

No one at the Ayutinskaya is asking questions about the future today. That is because 10 years ago they got a real manager, not just a time-server. He thought about the future of the mine and its workers, about the big town with tens of streets and a school, a hospital, a health resort and stores—all the things that people need.

Vladimir Prokofyevich Marunchenko is chairman of the Gorkiy Mining Administration's union committee and previously served as its chief geologist. He brought in knowledgeable professionals from institutes in the city and the oblast and went over the maps and analyses with them, and concluded that there was more coal there. But directors came and went, each of them concerned only about the present.

It was only the third or fourth director that the chief geologist managed to persuade to look to the future. But the time was already past.

"We were three or four years too late," says Marunchenko.

Here is the result: a relatively large number of workers is producing a little over 200,000 metric tons annually. Labor productivity last year was 15 metric tons, and this

year, picking up a bit, rose to 23. Productivity was higher than that shortly after the war.

Just three years ago a spacious three-story building was built, an "administrative-consumer combine," as the miners say. Preparations were being made to finish the walls, but no there is no time for ornamentation. The tags of mortar between the bricks still cling to the wall. In the offices are manuals, with everyone categorized by unit and by job. Who has how much experience, who is eligible for a pension, who will undergo retraining, who will be transferred to other mines... Estimates are being made of "social guarantees in connection with dissolution of the A. M. Gorkiy Mining Administration."

"Will you fight to save the mine, or are you going to surrender?" asks Marunchenko.

"We don't plan to surrender. But we are assessing the situation that exists in Russia's coal mining industry realistically. We want our decisions to be well-planned and well-reasoned, particularly when it comes to social protection for the workers, the town and legal succession."

"There are 110 people waiting for housing at Gorkiy. The union committee chairman is worried about what will happen to them. For example, one-fifth or one-tenth of those on the list are being transferred to a neighboring mine, the Sambekov. Incidentally, a whole team of face men already went there voluntarily. But when they get on the list there, they may hear: sorry, fellow, but you'll be 258th in line. And what about our disabled workers and veterans? What about the whole town? When will it ever get water now?"

Water is brought to the town and to the mine in tanker trucks and emptied into special storage containers. Incidentally, this is a problem for the whole region, not just this one town. The water supply is shut off at 8:00 am even at the city administration in Shakhty. The office worker with whom we had scheduled an appointment at 8:00 in the morning suddenly excused herself and ran to get a pitcher of water to water her flowers. She came back annoyed: "I was too late." Salvation lies in the water of the Don. Viktor Aleksandrovich Solntsev, mayor of Novoshakhtinsk, a city rich in coal and debts, proposes "resuming discussions at the oblast level on construction of a Shakhty-Don water pipeline." But I am afraid that those discussions will have little effect. What is needed is energetic assistance from the Ministry of Fuels and Energy and Rosugol.

Both in Shakhty and in Novoshakhtinsk, like in all the Don towns, people remember how the ore mines were shut down in the late 1950's, like trees being felled. The Rostov Regional Coal Miners' Union Committee, remembering that lesson, is opposed to any snap decisions.

"A serious study should be done of each mine," says Katalnikov, "so that people will not be treated shabbily."

Also favoring that approach are the Rostovugol administration, the directors of enterprises and local trade union committees.

"Will the mines close? Or not? All this talk just upsets people. No one has confidence in tomorrow. Although," opines Kirov Mine director Rugayev, "there are plenty of reserves here. In 1992 we started working on a lower seam at Nesvetayeskiy and started using a plow system. We have already opened up a second face."

"Are you opposed to shutting down the mine?"

"I am categorically opposed."

"I think it's a crime if they do shut it down," added the chief engineer. "Particularly since the coal here is of very high quality, not just junk."

"Does that mean that you are putting forward a technically justified concept for saving the mine?"

"Yes. We have one. The general director suggested that each manager think up ways to save the mine. We presented our ideas to the association's management. Unfortunately, they are no longer going to fund our capital jobs. And since we're not sinking any new shafts, the mine is starting to wind down and will eventually die."

I will leave aside the calculations done by director Rugayev and chief engineer Fomin. It is for experts to analyze and compare them and eventually come to a decision that will be fully in keeping with the interests of the individual, the collective, the region and the country.

"We are trying to prove," said Rugayev, "that our version is the most efficient. The most important part of it is that the mine is prepared to go on without subsidies."

What Is Left of Proletarian Dictatorship

No matter where you go in this region, you will see old, faded heaps of mine tailings. Old-timers will tell you that the Nezhdannaya Mine was here, and the Petrovskiy Mine over there, and Vorovskiy over there, and off in the distance is what is left of the mine called Proletarian Dictatorship.

Around each mine is a town named for it. About 30 mines lie within the city of Shakhty. Just recently scientists at the Shakhty Branch of Novocherkassk Polytechnical Institute, under the direction of doctor of philosophical sciences V. Chulanov, studied the social problems of their city's mining settlements. They went to literally every house and polled more than 53,000 people. And they came up with some very telling patterns.

For example, breaking housing and residents down by age, they determined that:

"Undoubtedly one must acknowledge the fact that pensioners live in houses that have fewer comforts and are of poorer quality than other residents do." But other people in those towns are by no means living in luxury. Only "70 percent of all families live in proper housing, 22 percent live in dilapidated housing that is in need of capital repairs, and 8 percent live in dangerously dilapidated housing."

However, in many towns—Frunze, Staryy, Vlasovka and others—there is no housing except that dilapidated housing. Efforts have been made to bring water pipelines to those areas, but they have not yet been completed.

"Apartments with proper waste water disposal are completely lacking in the town of Frunze, 11 Kilometers, Staryy, Staro-Azovka, Vlasovka and Duvanovo. There are virtually no such apartments in the towns of Vorovskiy and Oktyabrskiy—just four apartments, or 0.1-0.6 percent of the total number of apartments in each town."

"Out of 29 towns, six were lacking any type of consumer services whatsoever, 19 had no libraries, 11 had no clubs, 19 had no polyclinics or out-patient clinics, and 15 had no pharmacies."

This is what has happened to towns when mines have shut down. They were forgotten by the Soviet government and experienced crushing strikes headed by the "labor guard." They are ignored by the "democratic" government, for whom the people living in these "anthills" are nothing more than scoops to gather the coal.

"If we do not take measures to revitalize these towns, then the city of Shakhty may not survive," is the sad conclusion of the city's mayor, Valeriy Denisovich Demidov. You can believe him: along the Don Demidov is called the "team leader of mining cities." The most terrible thing is that people are leaving whose families have been miners for generations. Russia cannot get along without the Don's coal, but just try to get it out when they are gone...

...Turn a few steps off the road and you find yourself in a estate where you could make historical films without any special sets. A house is there, built with some splendor in its day. The miners' aristocracy lived here. They were guarded by Cossacks and mountaineers. No commoners were allowed inside.

Then the government changed. The mine administrator's house was divided up with partitions and turned over to the coal diggers who had been living in sod houses before. Thanks to their beloved Soviet government the Ovsyannikovs got their own room, with ceilings three meters high, big windows and a fireplace. True, the fireplace did not heat well, and it has long since been shut off.

Gradually additions began to be built onto the house, out of cinder blocks and timbers stored in the mines. One of the windows has become an indoor window, looking from one kitchen into another. But the neighboring housewives have decided not to brick it up. A case of peaceful coexistence is not all that common.

Volodya Katalnikov, a fatherless boy, an active and observant young fellow, lived across the road from his future bride in a similar "palace."

"What are you smiling at, Volodya?"

"I was remembered the neighbors. They all went down to get paid together. They came home the same way." Thereupon follows one of the endless domestic tales that Katalnikov has in such abundance.

The housewife walked in front. On her chest and in her arms were garlands of *baranki* [ring-shaped rolls], small, medium and large, sprinkled with poppy seeds. Above the *baranki* dangled several links of sausage, including one of the most expensive—Nevskaya.

Behind the lady of the house came Vanya with a pillowcase full of money across his shoulder. They called out to everyone: "Hello! We got paid." And soon everyone on the street was out on their benches, the neighbors cracking seeds or leaning across the fence. This was as good as a movie.

The family went from house to house, repaying debts. "Masha, I borrowed 100 rubles from you, thank you." And so it went, back and forth, until they came to their own house. They paid back their debts, and then the festivities began.

"About a week would go by, and then they would come borrowing again," said Vladimir Dmitriyevich at the end of his story. "And what they earned back then—you could buy a 'Pobeda' [small car] for one month's pay."

And they did. But they never did manage to get a proper home. The mine closed down.

They smiled sadly and raised a glass to their street and their neighbors. That day the Ovsyannikovs had relatives visiting from Ukraine, from my native Donbass. Also miners, they had lost a son under the ground... There was no need to ask how my countrymen were getting along. They always used to come bearing gifts, delicious Donetsk candies. Now they didn't even have enough money for a kilogram of caramels—at R170,000. Three kilograms of caramels would cost their whole pension. They brought some homemade pies. Delicious, just like the ones my mama baked.

But that pie stuck in my throat.

We had already said goodbye when the visitor from the Donbass politely asked Katalnikov what might come of the regional committee chairman's visit to his relatives. Volodya gave him a straight answer. If he had been someone else he would already have taken his loved ones away from this shack. But then how could he look those who would remain here in the eye?!

A dried-up grapevine hung over the low porch roof. That was probably what Anatoliy Veniaminovich Kalinin was thinking about when he wrote to Melkov of his love for this splendid land and his alarm over its present and the future of its people.

Railway Performance Critiqued

954K0147A Moscow GUDOK in Russian 4 Nov 94 p 1

[Article by I. Sokolova: "A Conference Call in the Ministry of Railways"]

[FBIS Translated Text] During a conference call yesterday, conducted by First Deputy Minister of Railways O. Moshenko, they discussed the results of the sector's work in recent months, also the basic directions for the next while.

In the first 10 months of this year, freight haulage produced 19 trillion rubles in revenues. Despite losses in passenger transport (about 2 trillion), total transport profits were a little under 4 trillion. Not bad results, but what is worrisome is that profits from haulage have begun to fall in recent months. The situation is especially disquieting on the Moscow, Sakhalinsk, Transbaykal, and North Caucasus railroads.

The overall situation in freight haulage has been good the past while. In October the loading plan was overfulfilled by 3 percent. This tendency needs to be reinforced in November, O. Moshenko emphasized.

However, deliveries of fuel are of some concern. Winter is coming, and the demand for coal and oil products is rising day by day. In such conditions, every unfilled client order hurts our sector's prestige. Nevertheless, some railroads simply didn't meet clients' needs.

Passenger transport continues to decline. Amounts of passenger turnover in the past nine months came to about 84 percent of the same period last year. Not enough is being done to attract passengers. Train schedules do not always take account of passengers' interests, trains are often late, and service leaves much to be desired. Last year, for example, the deluxe train *Avrora* arrived late in Moscow 10 times. Some long-haul trains were not heated—in October!

O. Moshenko was pleased to note that recent measures taken by the Ministry and the railroads have made it possible to reduce clients' accounts payable, by 170 billion rubles in September and 136 billion in October. But the figure has risen on some railroads, including the *Oktobyabrskaya*, the *Transbaykal*, the *Far Eastern*, *Sakhalinsk*, and *Southern Urals*. O. Moshenko stressed the necessity of more vigorous efforts to implement the general agreement between the Ministry and enterprises of the oil refining, coal, and metallurgy industries.

Participants in the conference also discussed problems of the operation and repair of rolling stock, social protection for railroaders, traffic safety, and others.

The foundations for next year's work are being laid now, O. Moshenko emphasized, and the results we achieve by the end of this year will determine our subsequent success.

POLITICAL AFFAIRS

Socialist Leader Favors Social Protection

954K0167A Kiev HOLOS UKRAYINY in Ukrainian
18 Oct 94 p 3

[Article by Ivan Chyzh, people's deputy of Ukraine, leader of the Socialist faction in the Supreme Council: "Brotherly Love. On What Conditions? Social Partnership Is Possible With the Condition of Dignified Sources of Support for All Who Work or Have Retired"]

[FBIS Translated Text] I recall the lines that Shevchenko's dreams and suffering produced: "And give us brotherly love...." At present, this appeal is highly topical for Ukraine in an environment in which crisis phenomena mounting in our economy have brought about the further universal impoverishment of the people, and hence the growth of social tensions in our society when we failed to overcome the ruinous momentum of the previous political course and change it to one that would facilitate radical changes for the better. It is precisely under such conditions that we have, as a consequence, a very unhappy present day, with the mounting economic crisis perniciously left to its own devices. The authorities have actually lost the levers with which to control not only economic but also social, political and legal, and ideological processes in our society. Hence the actual power vacuum and total irresponsibility in Ukraine.

1. The New Economic Policy in Ukraine. It Is Realistic

What can we say—the picture is not gratifying, but not hopeless. Our life puts on the agenda the crucial, fateful task of restoring sufficiently capable state authorities, of restoring at least elementary order.

Is it realistic to accomplish this task in the foreseeable future? With a great degree of certainty we can say: Yes. Why such confidence? We now have the thing in the absence of which Ukraine has been stuck for four years in the darkness of uncertainty. We have a quite precisely balanced and scientifically substantiated document that sets forth where to go, what to desire, and how to attain what is planned. These are the Key Principles and Directions for the Assertion of the Ukrainian Economy During the Crisis Period. Being a programmatic document that is called upon to set forth the main thrust of the Supreme Council operations, it was passed at the very beginning of the proceedings of the first session. Incidentally, a large group of scientists and professional practitioners took part in developing the Key Principles, just as in the development of the presidential program. I would like to hope that these documents will mutually complement each other and facilitate overcoming the crisis and reforming the economy in the interest of a majority of the people in Ukraine. It is characteristic that in his speech during his confirmation as prime minister, Vitaliy Masol voiced principles and intentions that were almost the same as the crucial provisions of these documents. So, is this to suggest that we have a Ukrainian NEP (New Economic Policy)? Chairman of the Supreme Council Oleksandr Moroz answered this question

at a press conference after the release of the Key Principles: "Yes, it is." In his report at the Supreme Council session on 11 October, the president of Ukraine also stressed several times that this is a new economic policy. I will add that we would very much like this to be the case.

We know from history that the New Economic Policy helped the young Soviet Republic, which had been bled white by the civil war, to get on its feet and survive. As is known, it is the property of history to repeat itself in many instances. Therefore, there are grounds to maintain that our NEP will also help the economy of Ukraine to overcome the crisis, which is without precedent in peacetime. If its "engine" starts working, it will become possible to implement social programs, because a lack of social protection for the people is what our people suffer from the most. We should note certain steps that international financial circles have taken to accommodate us which, incidentally, were facilitated to a great degree by the recent active involvement of legislative and executive structures.

2. A Legislative Foundation for Social Protection

In recent years, it has virtually become good form to start talking mostly about privatization, price liberalization, free enterprise, etc., when it comes to reforms, with a view to a new class sprouting here any minute, which will get to work in a new manner and certainly bestow the blessings upon our ultimately grief-stricken and unfortunate people.

However, it is a pity that the very topic of reforms in the social sphere is passed over in silence in the process. Meanwhile, this is precisely the burning issue that directly affects the interests of millions of our fellow citizens. Proceeding from this, I would like to state the position of our parliamentary faction on the issues of social policy and what we view as possible ways to implement it in the interests of the people.

In keeping with the programmatic provisions of the SPU [Socialist Party of Ukraine], we favor a mixed economy and the coexistence of various forms of ownership. However, one point has been and still remains a priority for us—defending the interests of the working people who live off the proceeds of their labor. We are not against a class of affluent people developing here, but in such a way that it includes at least three-quarters of our fellow citizens rather than five percent of "fat cats" who have feathered their nests with the property of others over the years of the "expansion" and now view themselves as movers and shakers.

With a view to implementing the programmatic provisions of the SPU and their electoral programs, the socialist deputies will seek the consideration of an entire package of issues concerning a legislative basis for social rights and guarantees to the working people of Ukraine as early as the current, second session of the Supreme Council of Ukraine. Thus, the issue of revising the levels of the minimum wage and minimum retirement benefit has already been placed on the agenda and considered at our request. We also initiated the consideration of the issue of revising the content of Article 52 of the Law on Education

at the session. At present, it is fitting to talk about the survival of the educational system. It is a fact that many skilled educators are forced to leave schools because it is just impossible to survive on their meager wages now.

I believe that the adoption of a legislative act regulating and defending employee rights and freedoms will be of fundamental significance. What is this about? Many enterprises with private and other ownership are already in operation. Existing legislation lacks a mechanism that would regulate the relationship between a private employer and an employee hired by him, hence a lack of social protection for the people. We must eliminate the opportunity for social exploitation by passing the requisite law.

Our faction has also proposed to develop and adopt the Law on State Enterprises. Its regulatory role should be to ensure that it is advantageous for the people to work at state enterprises, as is the case throughout the world. In our country, everything happens the other way around to this day.

The adopted Law on Enterprises merely proclaimed the participation of labor collectives in management. Although councils of labor collectives endowed with certain powers were created at enterprises in keeping with this law, they were deprived of an opportunity to effectively control the work of the management from the very beginning, if for no other reason than because the management appointed one-half of the membership of these councils.

Accordingly, the management controlled (and still controls!) the making of particular decisions. Therefore, ideal conditions have apparently been created for the operation of the corps of directors free of control. Hence the result: Wholesale and retail "grab-it-ization" has proceeded full blast!

A situation is apparent whereby a segment of the corps of directors (and a quite significant one!) have actually become full-fledged owners of enterprises, having linked up with commercial banks on the basis of common interests. Under such conditions, concern with production and a search for a way out of the crisis is somehow relegated to the back burner. Privatization in its form to date gives them both power and money. This is why they make efforts to implement privatization in an accelerated manner. And how do their "native" labor collectives benefit from this plunder of cosmic proportions? Not at all! This is a far cry from social partnership in the absence of which it is impossible to move ahead. Being aware of the circumstances, we, the deputies, naturally together with the government, must protect the vital interests of the working people. Incidentally, this is precisely the area in which the experience gained in the world would be very useful, in particular, arrangements whereby collectives hire managers (chiefs) on certain conditions: If one manages to ensure the growth of economic indicators, he has a commensurate salary and other benefits. If not, another person comes to take his place. Perhaps in this case Ukrainian industry will not operate at 60 percent of capacity, as it

does now, and we will not have this high hidden unemployment. The management factor is by no means secondary in the context of this problem, although it is certainly not the only factor of dislocations in our economy.

Life has shown that a lack of control is pernicious. Naturally, this is not about trivial tutelage, but rather control of a higher order, whose various forms are subordinated to the same objective: The state must always control the economic situation. The elimination of people's (state) control has brought about ruinous consequences. For this reason, in a number of sectors we are witnessing spontaneous attempts to resume such control in one form or another. Our faction insists on introducing effective state control through the adoption of the requisite law or decree.

We will seek the passage by the Supreme Council of a special decree on implementing a system of mutual settlements between enterprises in order to facilitate the unblocking of production. We believe that in this instance the introduction of the practice of settlement by bills of exchange is appropriate. We are convinced that the problem of compensation for labor should be resolved in a systemic and comprehensive manner. We have developed proposals in this matter. Our faction is submitting the issue of the system for a free supply of drugs for retirees and the handicapped, as well as a number of other issues from the same social package, for consideration by the second session.

3. Can One Get By on the "Air of Freedom?"

Recently, the newspaper *KOMMUNIST* carried interviews with a few Kievans on the occasion of the Independence Day celebration. Responding to the question of what the proclamation of an independent Ukraine has accomplished for her, one female retiree said the following: "I am happy just because I am breathing the air of freedom. As far as sausage is concerned, it is of little interest to me...." This is a good-natured statement, is it not? However, this might be a rare phenomenon of our shock "expansion." As it is, 99 out of 100 of our fellow citizens will say that they cannot get by on the "air of freedom" alone, and that something else is needed with at least some calorie content.

Things are indeed far from abundant, given that until recently the minimum wage in our country came to \$1.14 (and now still less), according to data from the International Labor Organization (ILO). Meanwhile, the average wage is somewhere at the level of \$17. For comparison, a subway fare in the United States is \$1.50. According to data from the aforementioned ILO, Ukraine has the lowest average wage and the highest poverty rate of all East European countries. We have lived to see this!

Meanwhile, based on data officially recorded in international handbooks, toward the end of the 1980's the volume of per capita personal consumption came to \$230-\$240 per month, or respectively \$2,700-\$2,800 a year. In terms of the volume and structure of personal consumption by the population, Ukraine confidently ranked at the average

European level, and led on some indicators. Here is the "time of stagnation" for you....

There is certainly no more topical and acute problem at present than the levels of wages and retirement benefits. This is what our voters continuously talk about during our meetings, because the foremost point is at issue: How is one to survive? It is incredibly painful to be unable to explain for what sins the people were deprived of the opportunity to live as people should. This is why our faction will do everything possible and then some in order to ensure (and then very promptly!) an upward revision of the levels of wages and retirement benefits. Perhaps some people will accuse us of being populists. Let them talk....

I am resolutely opposed to the thesis of behind-the-desk economic strategists who maintain that wage increases by themselves cause inflation and can bleed white our economy, which is anemic to begin with (incidentally, these strategists always stay afloat). Allow me to ask: Who induced this "anemia" in our economy? Although this "argument" may work on simpletons, it falls apart completely if serious calculations are made. I will not provide all of the calculations, since this is a topic for special research, but will give just a few typical statistics. Thus, at present the minimum wage comes to less than 8 percent of the average in the national economy. This is a pernicious disproportion indeed! The practice of the world shows that this indicator should be at the level of 30-50 percent. This means that the minimum wage should amount to no less than 50 percent within the structure of the real wage. In view of this, consider what the 60,000 [currency not specified] established in our country as the minimum wage is worth. Who determined it? Out of what thin air has it been plucked?! Besides, real wages are such in our country that they not only deprive honest people of an opportunity to make ends meet, but also hinder production, due to the lack of purchasing power of the citizens because goods are produced but there is no opportunity to sell them....

4. The State for the People—The Way It Ought To Be

Or else let us compare the salaries of nurse's aides and nurses at a hospital (240,000-280,000) with the 150-170 million that the managers of commercial banks made every month (as of the end of 1993) [currency not specified]. In order not to reach that "high," let us look at the "lower ranks" at the same banks: Over there, the salary of a janitor is 3-4 million. Is any commentary necessary?

I will just say that such social polarization is a delayed-action mine set at the foundations of our state. If we indeed want social peace and social accord, we should not allow this charge to detonate. Once again, arrange in sequence the numbers 102,000, 240,000, and 150 million [currency not specified]. These are, respectively, the social retirement benefit, the salary of a nurse's aide, and the "wages" of a banker. Tell me whether "brotherly love" among them is possible given these strikingly different sources of support? This begs an unambiguous answer, just as the question of how a state can be strong in which some people consider such principles quite acceptable (let us

recall Kravchuk's sacramental saying: "There will be the rich and the poor, and it is normal....")

Some people may object: But in the West.... Let us see. The gap in incomes between the poorest and the richest comes to 1 to 9 in the United States, the richest country of the capitalist world. Is this not the reason that they have such a large and, importantly, socially stable middle class, which acts as a guarantor of social peace in their society? This is something to think over, along with ways to stop the insane runaway prices and to finally bring to an end all the "shocks" of ours. However, our gentleman democrats do not risk dwelling on what obviously is not an advantageous topic for them.

It is indeed much more resounding and simpler to blame for everything the "Commies" and "Socialists," who, they say, seek revenge and the restoration of the "Soviet" order. This is hypocritical! The people are beginning increasingly to grasp the truth, because lies sound good but do not go far. No, it is not revenge that we, i.e., representatives of the left-wing forces in the Supreme Council, seek, but rather constructive work. Yes, precisely work on building up our society, in which the state will exist for the people and not the other way around. The members of the Socialist faction insisted and will staunchly insist on it.

Council for Peace Supports Kuchma Reforms

954K0208A Kiev LITERATURNIA UKRAYINA
in Ukrainian 20 Oct 94 p 1

["Statement by the Ukrainian Council for Peace"]

[FBIS Translated Text] At present, the public of our country is attentively studying and discussing the Program for Radical Social Economic Reforms which was announced by President of Ukraine L. Kuchma in the Supreme Council.

The Ukrainian Council for Peace expresses support for this program and hopes that other public associations will also properly evaluate the strategic avenues which are outlined in it for overcoming the crisis.

We reject the mood of despair and hopelessness. A nation which during the years of its sovereign existence has been able to avoid bloodshed and discord—such a nation is capable of grasping that only national accord and unity will enable us to overcome the current crisis and chaos and ensure the regular development of our sovereign state in which a dignified and civilized life of citizens will finally become a reality.

We call on all those to whom Ukraine is dear, all who care about the well-being and moral purity of our nation which has been suffering so much because of poverty and rampant crime, to rally, reject fruitless ambitions, and facilitate the materialization of the proclaimed program and its implementation without delay through a concrete joint effort.

[Signed] Ukrainian Council for Peace
12 October 1994
City of Kiev

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Left Wing Disrupts Parliamentary Accord
954K0208B Kiev LITERATURNА UKRAYINA
in Ukrainian 20 Oct 94 pp 1, 4

[Article by LITERATURNА UKRAYINA parliamentary correspondent Petro Ovchar: "We Have No Use for You, Or How the Left Wing Hinders Accord"]

[FBIS Translated Text] Even during the inauguration of President of Ukraine L. Kuchma there were not as many people in the chamber of the Supreme Council as on 11 October, when the president announced his program of action before the people's deputies. Various guesses and assumptions concerning the president's presentation to the parliament had been voiced in the mass media long before that day. Therefore, not only the elected representatives of the people but also members of the government, chairmen of oblast councils of people's deputies, representatives of the diplomatic corps, journalists, and all those who had managed to obtain passes to the chamber listened to L.D. Kuchma with particular attention.

I do not know about the others, but I was interested first of all in the president's position on the issues of statehood, economic and social policy, and cultural and language problems. As is known, LITERATURNА UKRAYINA has been saying unambiguously both before and after the presidential elections that the president would be supported in every way possible if he stood up for the statehood of Ukraine.

L.D. Kuchma's appeal to the Supreme Council and his report "On the Path of Radical Economic Reforms" which had been distributed to the deputies the previous day proved convincingly that the president is in favor of an independent Ukraine. I will quote just a few excerpts from L.D. Kuchma's Appeal to the Parliament:

"...the issue of the sovereignty and territorial integrity of Ukraine is not even subject to discussion. This is a fundamental position."

"I hope that the political parties and public opinion of Ukraine will support this course. Otherwise we will have no chance to rescue the economy and ultimately to preserve statehood."

"At the same time, the radical left-wing forces should abandon hopes for the restoration of the Soviet Union. Taking away Ukraine's statehood means civil war. Such sacrifices cannot be justified by any political objectives."

"The president of Ukraine will facilitate as much as possible the further renaissance of the Ukrainian language and culture and the assertion of the spiritual principles of Ukrainian statehood."

"The president will facilitate in every way possible the assertion of political pluralism, a multiparty system, freedom of conscience and religion of citizens. A continuous dialogue with the public, the provision of actual extensive and fair openness, comprehensive support for the mass media and the democratic press and facilitation of their real

influence on the civilized development of social processes will become a daily concern of the president."

L. Kuchma's presentation was broadcast over the radio. However, O.O. Moroz decided, on his own and in violation of the rules and regulations, as has repeatedly been the case, that the further proceedings of the plenary session would be held behind closed doors (with the participation of journalists and all who were present in the chamber, but without radio broadcasting). He explained at that point that after a short break the president would respond to questions from deputies.

It was this break that L.I. Harmash, a representative of the left wing in the parliament and a people's deputy from the Kharkov area, took advantage of. He and his supporters handed out "a deputy inquiry to the president of Ukraine L.D. Kuchma" which they had run off. It was easy to guess what they needed this for. As it were, this inquiry, typed on as many as three pages, harshly criticized the activity of the president, and without substantiation, to boot. I quote several lines verbatim: [following quote is rendered in Russian in the original]

"During your tenure in the office of the president of Ukraine you have violated your oath of office and Article 114-5, Point 1.1-1 of the Constitution of Ukraine as a guarantor of the rights and freedoms of citizens and of compliance with the Constitution of Ukraine. You do not fully implement the Constitution of Ukraine (Where is the proof?—note by Petro Ovchar). ...You are creating a situation in the country in which the executive authorities, the councils of people's deputies at all levels, and the law enforcement and judicial organs of Ukraine are deprived of an opportunity to proceed in their operation from the Main Law of the state, the Constitution of Ukraine, while the citizens of Ukraine cannot defend their rights and freedoms guaranteed by the Constitution of Ukraine and the president of Ukraine in view of the lack of a Main Law of Ukraine...." And so on in the same vein.

Strangely, in his inquiry People's Deputy L.I. Harmash used the Constitution of the nonexistent Ukrainian Soviet Socialist Republic. As it were, the president of Ukraine said precisely and clearly as he addressed the Supreme Council: "Understandably, the above issues cannot be ultimately resolved without adopting a new Constitution of Ukraine. I am grateful for the support given by the Supreme Council to the position of the president on the principles of developing a draft Constitution and forming the Constitutional Commission."

As far as protection of the rights and freedoms of the citizens of Ukraine is concerned, L.I. Harmash resorted to falsehoods: As far as I know, neither during L.M. Kravchuk's presidency nor the few months of L.D. Kuchma's presidency have any Ukrainian patriots been put in jail, concentration camps, or psychiatric wards for their views, as was the case under the communist totalitarian regime. If antistate mafiosi and their ilk have ended up behind bars in keeping with the legislation in effect, they had it coming....

Those who were eager to subject the president to something of an examination in the form of questions and answers did not manage to do so. People's Deputy O. Yemets said, referring to practices throughout the world, that such a procedure is impermissible. L.D. Kuchma agreed with him. Nonetheless, the left-wing forces ensured that the president's report was heard by factions and commissions and submitted for discussion to the parliament. In the lobby a few people's deputies who had, on principle, pinned communist symbols on the lapels of their jackets instead of the deputy badges expressed themselves approximately this way [statement in quotation marks rendered in Russian in the original]: "The president's report urgently needs a major revision. As it is, his program is anti-Soviet and anticommunist."

In general, the course of events at the second session of the Supreme Council indicates that the left-wing forces, or more precisely the communist faction, are hindering accord and disrupting parliamentary proceedings. They were the ones to block the decision on building the Odessa terminal, to demand that the Russian language be given official status, to question the fact of L.M. Kravchuk's election as a people's deputy, to place on the session's agenda the issue "On Repealing the Edicts of the Supreme Council of Ukraine Presidium on the Temporary Suspension and Ban on the Operation of the Communist Party of Ukraine," and to propose, as Deputy I. Yukhnovskyy felicitously put it, such odious figures as H. Kryuchkov and O. Kotsyuba for Constitutional Commission members. Despite all the efforts of People's Deputy P. Symonenko, the chief communist of Ukraine, to prove that he was right on the selection of Constitutional Commission candidates, the Supreme Council rejected the proposal of the communist faction after almost two hours of discussion.

Indeed, how can H. Kryuchkov be assigned to participate in developing the draft Constitution of an independent Ukraine if many people are mindful to this day of his jeering at the Ukrainian language and Ukrainian symbols? Yes, it is the same Kryuchkov who in his time came out against the Law on Languages and right here, in the Supreme Council, publicly tore the Ukrainian symbols from the tie of former USSR People's Deputy M. Kutsenok.

Former People's Deputy of Ukraine O. Kotsyuba, to whom the voters have given the boot, has also gained notoriety for antidemocratic actions.

So, was it worthwhile for the communists to stir things up, as the saying goes? Apparently, this suits them because it is far easier to disrupt the operation of the parliament than to propose constructive solutions for overcoming the economic crisis in Ukraine. To be sure, People's Deputy S. Dovhan suggested that...the communists be given power for three months, and then, he said, we will see what happens. Oh, Serhiy Vasilyovych, we know what happens.... History tells us. You should listen to the words of President of Ukraine L.D. Kuchma, who suggests that parties and public movements sign, together with the state, an act of national accord which would envision refraining

from the organization of mass civil disobedience actions, strikes, and all violent acts in the name of accomplishing economic stabilization.

This is where I wanted to end. However, I suddenly recalled my childhood when I watched how sheaves were being threshed in my grandfather's farmyard. A bum and troublemaker who was well-known in the village came up and wanted to take a flail in order to help.

My grandfather answered: "We have no use for the likes of you..."

Cabinet Meets on Nuclear Power Status

954K0103A Kiev URYADOVYY KURYER
in Ukrainian 6 Oct 94 p 1

[Report of the Press Service of the Cabinet of Ministers of Ukraine: "In the Cabinet of Ministers of Ukraine"]

[FBIS Translated Text] As previously reported, the Cabinet of Ministers of Ukraine met on 3 October with President Leonid Kuchma of Ukraine in attendance.

The meeting considered measures designed to stabilize the work of nuclear electric power stations and to resolve the most important issues in the development of the nuclear power industry. These measures had been drawn up on instructions from the president of Ukraine. In his report, Mykhaylo Umanets, chairman of the State Committee on Nuclear Power [Derzhkomatom], and other speakers critically analyzed the situation in this important sector of the national economy. Production of electric energy in August fell substantially due to increased reactor downtime resulting from disruptions in deliveries of nuclear fuel and the necessary equipment and materials for repairs, as well as the financial difficulties that nuclear power stations are experiencing. Grave concern was expressed about delays in carrying out jobs associated with the safe operation of stations.

To ensure the country a normal supply of energy, it is necessary to put the reactors at the Zaporizhzhya, Rivne, and Khmelnytsky nuclear power stations, construction of which is 90 percent complete, into operation in the next few years. It is necessary to begin creating a nuclear-fuel production complex in Ukraine, to see to it that the country's own institutions supply the scientific-technical documentation on the operation of nuclear installations, and to accomplish a number of other tasks.

President Leonid Kuchma took part in the discussion about the problems of the nuclear power industry. He said that the power industry is in critical shape today. Yet in many respects this sector is a decisive factor in our national security. For this reason, the departments that were involved in preparing this question for consideration by the government must analyze the situation more thoroughly and within the total context and draft a government decree designed to eliminate existing shortcomings and to ensure that the power industry operate in a stable and safe manner.

With respect to the fate of the Chernobyl Nuclear Power Station, Leonid Kuchma said that we cannot just close the station. If the world community really wants us to do this, it has to extend concrete financial assistance to Ukraine to enable us to solve the economic, ecological, and social problems that will arise in connection with the closure of this station.

The president of Ukraine expressed his support for setting up the production of nuclear fuel in our country, which will help put an end to Ukraine's dependence on other countries for deliveries of this fuel.

The Cabinet of Ministers will adopt appropriate decisions based on the results of this review of the question under consideration.

Borys Chepkov, chairman of the State Committee on Land [Derzhkomzem], delivered a report on the draft of the State Program on Land Reform at the meeting of the government. It was noted that land reform is an integral part of the economic transformation of our country. Its goal is the redistribution of land in order to turn it over to collective and private ownership, as well as for use by enterprises, institutions, organizations, and private citizens. It envisages phased reforms and ensuring that legal, scientific and methodological, labor force, and financial needs are met, as well as the preparation of a package of the necessary normative acts and standard procedure documents.

The government gave the ministries, departments, and oblast councils of people's deputies a month to review the plan, which was approved in general at the meeting, in order to incorporate their recommendations and criticisms in the preparation of a final version and to submit the latter for approval by the Supreme Council.

Law on Changes to Constitution

954K0103B Kiev URYADOVYY KURYER
in Ukrainian 6 Oct 94 p 8

[“Law of Ukraine: On Introducing Changes and Additions to the Constitution (Fundamental Law) of Ukraine”]

[FBIS Translated Text] To introduce the following changes and additions to the Constitution (Fundamental Law) of Ukraine:

1. To replace in the text of the Constitution the terms “Crimean Autonomous Soviet Socialist Republic,” “the Crimean ASSR,” and the “Republic of Crimea” with the terms “Autonomous Republic of Crimea” and “Autonomous Republic of Crimea” [adjectival and genitive forms], respectively.
2. Points 21-1 and 31 of the third section of Article 97 to be worded as follows:
“21-1) early curtailment of the powers of the Supreme Council of the Autonomous Republic of Crimea and the local councils of people's deputies if they violate the Constitution and laws of Ukraine, and the scheduling of new elections of deputies to these councils”;

“31) suspending the validity of the legal acts of the Supreme Council of the Autonomous Republic of Crimea if they are not in conformity with the Constitution and laws of Ukraine; revocation of the legal acts of the Supreme Council of the Autonomous Republic of Crimea if the Supreme Council of the Autonomous Republic of Crimea does not bring them into conformity with the Constitution and laws of Ukraine; revocation of the decisions of oblast, rayon, city, and city district councils of people's deputies if they violate the Constitution and laws of Ukraine.”

[Signed] President of Ukraine
L. KUCHMA
Kiev, 21 September 1994

Decree on Halting Spread of Cholera, Plague

954K0103C Kiev URYADOVYY KURYER
in Ukrainian 6 Oct 94 p 9

[“Decree No. 679 of the Cabinet of Ministers of Ukraine: On Measures To Halt the Spread of Cholera and Plague” dated 3 October 1994]

[FBIS Translated Text] To prevent the import of cholera and plague from the territories of other countries and the further spread of cholera, the Cabinet of Ministers hereby RESOLVES:

1. To temporarily suspend international passenger traffic across the state border of Ukraine from Turkey, the Republic of Romania, Albania, and India.

In connection with this:

The State Committee for the Defense of the State Border, the State Customs Committee, the Ministry of Transport, and the Ministry of Health shall bar entry into Ukraine to foreign citizens and means of transportation from countries with recorded cases of especially dangerous infectious diseases unless they carry documents provided for by international treaties and the sanitary legislation of Ukraine;

the Ministry of Foreign Affairs, the Ministry of Internal Affairs, the Ministry of Transport, the State Tourism Committee, and the State Committee for the Defense of the State Border shall take steps to restrict exit for citizens of Ukraine travelling on official business and suspend travel for personal reasons and for purposes of tourism to Turkey, the Republic of Romania, Albania, and India;

the State Committee for the Defense of the State Border, the State Customs Committee, and the Ministry of Health, with the assistance of the Ministry of Internal Affairs, the Ministry of Transport, the State Tourism Committee, the government of the Autonomous Republic of Crimea, and the oblast executive committees shall:

establish and institute a special procedure to be followed at the following Ukrainian border crossing

points: Porubne, Vadul-Syret, Dyakove, Izmayil Commercial Seaport, Reni Seaport, Odessa Commercial Seaport, Yalta Commercial Seaport, Sevastopol Commercial Seaport, Yevpatoriya Seaport, and the Odessa, Simferopol, Mykolayiv, Boryspil, Donetsk, Luhansk, and Dnipropetrovsk airports;

suspend the simplified entry procedure across the state border of Ukraine with the Republic of Romania.

2. The Ministry of Transport shall temporarily suspend passenger traffic with India.
3. The Ministry of Health shall put anti-epidemic groups on duty at the above-named Ukrainian border crossing points.
4. The State Customs Committee, the Ministry of Transport, and the Ministry of Health shall create conditions at border crossing points that comply with personal hygiene regulations.
5. The Ministry of Foreign Affairs shall follow established procedure to inform foreign states about the measures applied by Ukraine to combat especially dangerous infectious diseases.
6. The State Television and Radio Company shall inform the population of Ukraine in an operative manner about the measures being applied to prevent and halt the spread of especially dangerous infectious diseases.

[Signed] Prime Minister of Ukraine

V. MASOL

Minister of the Cabinet of Ministers of Ukraine
V. PUSTOVOYTENKO

Instruction on Preventing Spread of Cholera

954K0103D Kiev URYADOVYY KURYER
in Ukrainian 6 Oct 94 p 9

["Instruction of the Cabinet of Ministers of Ukraine of 3 October 1994, No. 716-r"]

[FBIS Translated Text] In order to prevent the further spread of cholera, especially through infected fish:

1. The Ministry of Agriculture and Food, the State Committee on the Fishing Industry, the organs of the sanitary-epidemiological service, the government of the Autonomous Republic of Crimea, and the executive committees of oblast, rayon, and city councils of people's deputies on the territories of which there are open bodies of water in which the presence of the cholera vibrio has been established, shall immediately inform enterprises, organizations, and the population that fishing is prohibited and put up warning signs at the appropriate sites.

The Ministry of Agriculture and Food shall ensure a higher level of vigilance on the part of those who conduct sanitary-veterinary inspections of food products at markets, especially with respect to fish sold by private individuals.

2. The sale of fish and fish products (with the exception of canned goods) shall be prohibited on the territory of the Autonomous Republic of Crimea, Donetsk, Zaporizhzhya, Mykolayiv, Odessa, and Kherson Oblasts, and other regions affected by cholera, as well as the shipment of these products out of these regions unless accompanied by a document certifying the quality of the fish or fish products and that these products have undergone laboratory testing for the presence of cholera.

The Ministry of Health shall draw up a list of regions affected by cholera.

3. The State Committee on the Fishing Industry, the State Committee on Hydrometeorology, and the Ministry of Agriculture and Food, together with the Ministry of Health, shall prepare within five days a forecast on the fall-winter fishing season in the Azov-Black Sea basin.

The State Committee on the Fishing Industry, the Ministry of Agriculture and Food, and the Ministry of Health shall draw up and implement measures to prevent the spread of cholera through infected fish.

4. The Ukrainian Television and Radio Company shall increase the amount of airtime provided to the Ministry of Health for educating the public about preventive measures against contracting cholera.

[Signed] Prime Minister of Ukraine

V. MASOL

Radchenko on Crime Problem, MVD

954K0233A Kiev NEZAVISIMOST in Russian
26 Oct 94 pp 4-5

[Interview with V. I. Radchenko, Lieutenant General, Ukrainian Security Service, by V. Anisimov; place and date not given: "About Rabbits and a Boa Constrictor"]

[FBIS Translated Text] Volodymyr Ivanovich Radchenko is 46 years of age. He graduated from a technical higher educational establishment and the Higher Intelligence School. He has two children, and volleyball is his favorite sport. He does not read detective stories or science fiction. His favorite authors are Monten and Laroshfuko. In art he prefers realistic landscapes. His favorite music includes folk songs (performed by the Verevka choir) and songs by various composers. His salary is \$50 (equivalent).

An unpleasant allegory is sometimes appropriate. Particularly since so much has been written about remarkable studies of the interaction between rabbits and boa constrictors. At one time, one remembers, the rabbits lived in cages, in a state isolated from the entire world, drank and danced, promenaded on the streets until late hours, and if they did fear someone, it was their master, who was cruel but looked after them. When that master was fired and the barriers broke down, they rushed out into a world of freedom and struggle for existence, it turned out that this world is full of fears and dangers, which they had earlier known about only by hearsay.

The mafia, corruption, rackets, criminal transactions involving some of the most highly placed figures in the nation, bloody retributions, corpses on the front pages of newspapers and on television screens—it almost seems as if society has split into criminals and their victims. It is hard not to start feeling just like a rabbit. In addition to that, something akin to an apologetic view of crime has now become prevalent among us. Just read into the report on a recent bloody murder of a young woman, the mother of two children. You will find there details about the preparation, commission, and detection of the villainous act, but not a word about the tragedy facing those elderly parents, the orphaned children, or, finally, about the victim herself. She, alas, is only a piece of material proof of a very curious story. What was once a person becomes a thing. It is with such ease and readiness that citizens shift from one "state" into another. That has to be disturbing.

Appointment of a SBU [Ukrainian Security Service] general as minister of internal affairs of Ukraine had the purpose of turning around the situation and finding new approaches in the struggle against the crime that has permeated the country. It must be said that this move caused a certain disarray both in the criminal world (in July-August some of the rackets even disappeared from certain markets in Kiev), and in the ranks of crime fighters. The point is that the MVD (Ministry of Internal Affairs) has many of its own generals, and in addition to that many have not yet forgotten the repressions which at one time were unleashed by Andropov's General Fedorchuk against the Shchelkov militia (when thousands of agents were dismissed from the organs while many found themselves facing legal action). The apprehensions, as it turned out, had adequate grounds. Valentin Nedrigaylo, the first deputy minister, retired and the ministerial collegium was dissolved. Heads of internal affairs administrations started having difficulties in a number of oblasts, and in the central office the new minister closed 18 posts for generals. At the same time information trickled down about large-scale operations on the localization of criminal groups, which were conducted by the MVD jointly with the National Guard and army subunits.

Volodymyr Radchenko himself, by the way, successfully avoided the press for some two months, motivating it with the fact that a minister should appear not just with intentions, but with concrete results of his activity. When journalists were finally invited to a meeting with him, there was a surprise waiting for them: an impressive display of confiscated weapons, ammunition, narcotics, and valuables. One must confess that there was something to be confused about: All of a sudden it was graphically evident that a certain parallel world has already been created within the country where all of this horror (from assassination pens to heavy caliber machine guns) consists of items of everyday use there.

The report delivered by the minister on results of some 14 large-scale operational-preventative operations conducted by the MVD in August-September of this year turned out to be highly informative. The listing of the thousands of criminal gangs detained in cities and villages of Ukraine would take up an entire newspaper page. That is why we

agreed with the minister to have another meeting in order to talk not about the "oppressive magic" of numbers but about problems affecting the functioning of law enforcement organs and the thoroughly crime-saturated state which Ukraine is at the present time.

[Anisimov] Volodymyr Ivanovich, your appointment to the post of minister of internal affairs of Ukraine was an unexpected development to many. How about yourself?

[Radchenko] It was unexpected for me as well: In the SBU I headed the Main Administration for the Struggle Against Corruption and Organized Crime. The complex part of the job in the first few months was the fact that it was necessary to concentrate on fulfillment of three principal tasks. The first was realization of the presidential edicts on the struggle against crime. The second involved the reform of the very structure of the MVD, since I am convinced that if we are not going to come closer to European standards in the way the process of exposing and liquidating criminal groups is organized, then, despite all of our efforts, the results will be good for nothing. The third task was the purging of the militia itself of those, I do not even want to call them colleagues, who had been soiled by their contact with the criminal world and who were discrediting the law enforcement organs. In the last two months, 324 violations were uncovered among MVD personnel and 43 criminal cases were initiated. The UVD [Internal Affairs Administration] deputy chairman in Rivnyy was dismissed and UVD leadership in Lvov, Ivano-Frankovsk, and Kirovograd is being subjected to a thorough check. By the way, I barely had time to report that at a press conference when the journalists informed their public that the heads of the indicated administrations were dismissed! Even though there were some negative results concerning only General Khmil, and even they indicated that all the incriminating facts were fabrications.

[Anisimov] It is said, however, that you will be replacing all of the chiefs of oblast administrations.

[Radchenko] That is not true. Only those who are unable to manage the tasks delegated to them. No one is thirsting for blood. If you are not carrying your load, getting poor results—leave on your own. Why cling to the job? We really do have "hot spots" from the viewpoint of problems that have accumulated in the militia. They are in Odessa, Lvov, and Donetsk. I have been reading critical articles about how the poor general was being hurt. But no one was hurting anyone. I simply said: You have longevity and also a certain number of unsolved crimes. It is time to leave. His place must be filled by another, more energetic individual.

All appointments to the post of administration head both at the center and at the local level from now on are being coordinated with the minister of internal affairs and the president of Ukraine. In addition to that, one of the main demands that I introduced, having received the support of the country's leaders, consisted of the following. If we want to avoid corruption, persons named to fill vacancies as heads of oblast administrations as a rule must be someone from another oblast, who has no ties, relatives, close

friends, etc. For five years he works there, and then he can expect to be transferred to other locations. The heads of a number of oblast councils viewed this innovation with understanding, even though each one of them has been seeking such a job for himself. From some of the oblast council chairmen, however, I encountered fierce opposition, and a few of them even threatened war.

[Anisimov] This apparently is a constant problem. It is a great temptation to gain control over law enforcement organs. One militia captain declared: We are not protecting the people against criminals but the power from the people.

[Radchenko] I can see several aspects here. There is the Seventh Article in the law on the MVD, which states that militia is vertically subordinated and, as a matter of fact, it does not have to stand at attention before anyone. However, we have rich oblasts that treat the current impoverished position of law enforcement organs with understanding (37,000 individuals in the capital alone are on a waiting list for an apartment). One such oblasts gave us 60 motor vehicles and two residences free of charge. We are most grateful for this help. But then certain demands are made and tasks are set which are not even within the competence of the militia and deal with political problems. There is another variant—oblasts where a war is going on between the oblast and city administration, with each wanting to attract the militia over to its side. All that only complicates our work.

During their election campaigns, all the elected leaders promised to fight crime, and we must work together with them. But I will never reconcile myself with a situation where a city mayor installs some "flunky" to head law enforcement organs and that individual then issues "valuable instructions." By the way, I am not opposed to the idea of creating a municipal militia. It is considered that the criminal block (criminal investigation, fight against terrorism and economic crimes) will be relegated to the federal service, while patrol and station service as well as maintenance of public order will come under dual jurisdiction. They will be maintained at the expense of the local budget with subordination to the local structure.

In addition to that, I do not like it when the militia must guard homes where representatives of power reside. If there is some extenuating circumstance (threats and comparable declarations), that may be necessary as a temporary measure. We have only a few protected government figures, as determined by the Supreme Council. More than that, we must protect people involved in court trials, but there are not enough funds for that.

As far as other privileges are concerned, we did away with special passes, allowing them only for official vehicles that transport particularly valuable or dangerous loads. Naturally, there were some phone calls and threats—but that is a problem for those concerned. I think that members of government and lawmakers must be issued documents that would not exempt them from responsibility for violations, but would certify that the given official vehicle is assigned to the given individual. That is necessary because there is

a search going on at the present time for some prestigious makes of motor vehicles (foreign models, "devyatki" and so on) that have been stolen. Therefore, some vehicles are pulled over several times a day for the bothersome check, which naturally results in unfavorable criticism.

[Anisimov] Do you have a special pass with the notation "Not subject to detention or inspection"?

[Radchenko] No, I do not. I am also pulled over. Nothing to be afraid of: No one knows what I look like. This is what happened in the Western district during Operation Catchment, which involved special troops with weapons. As ordered, I got out of the car with my hands clasped behind my head. This was not surprising, since an operation was under way, and all citizens have to put up with the inconvenience with some degree of understanding.

[Anisimov] Were you asked, as usual, if you would share some of your gasoline?

[Radchenko] The GAI [State Motor Vehicle Inspectorate]—that is a headache for me. Let us discuss this topic separately, some other time.

[Anisimov] Volodymyr Ivanovich, at a press conference you mentioned several times that the militia must be outside of politics.

[Radchenko] It is no secret that various political forces are attempting to involve such a mighty power structure in various conflicts. You know how they wanted to play the militia card in Crimea, but it was possible to prevent that from happening. There is only one kind of policy for the militia—the policy of law and the Constitution of Ukraine. When an MVD agent became co-chairman of some political party recently, I decided to let him go, even without checking as to who he was, since he knew that this was prohibited by law and still consciously went ahead and violated it. We do, however, have to get involved in some political action which is conducted by the criminal investigation department. At present, for instance, appeals are being distributed urging picketing, strikes, etc. How is it possible to create dissatisfaction among the population and destabilize the situation, for instance, in the capital? Very easily: by creating difficulties for city dwellers in the area of transportation and purchase of bread and other food items. Which is what we are seeing: People are standing in lines, transportation is not working, and there is no bread. An investigation was launched. A total of 363 cases were found where public bus drivers left the parking lots with the buses but never appeared on their routes and the fuel was sold on the side. In 34 cases forwarding agents at the meat processing and packing factories acted in a similar fashion. Why are there interruptions in the supply of bread? It turned out that the retail trade outlets are not paying the bakeries, which are therefore unable to settle with their suppliers. But bread inevitably sells out. The thing is that retail trade outlets do not turn over the cash but use it for illicit purposes. In other words, these are clearly criminal acts which pursue political goals. In just two months when we conducted the checks, retail trade outlets returned R100 billion. This is penetration of crime

into trade. Or, look at the story about the cash registers. Just its investigation (why were they installed in some places and not in others, why were these particular registers purchased, and not others) opens up a whole area of criminal problems.

[Anisimov] But I would like to return to human problems. You indicated that a rearrangement of priorities is taking place in the MVD.

[Radchenko] It is true, we are accustomed to the idea that the most important mission of the militia is protection of state property. Yes, that is necessary. But today the primary task is protection of the individual. The state begins specifically with that. Therefore, crimes involving murder, rape, robbery, larceny, and theft must be investigated on a priority basis with particular thoroughness. No matter what we say about our government, but if a man is robbed, his car stolen—for the purchase of which he saved money all of his life—he will judge the government through the prism of his own tragedy.

[Anisimov] It seems to me, according to my own experience and that of my colleagues, that search and return of stolen items until now was a hopeless proposition.

[Radchenko] I would not say that categorically. Robberies committed by criminal groups, which survive on that basis, are the ones that get caught. The increase in crime is due mainly to theft committed by "nonprofessionals." They "clean out" cellars, barns, summer homes, and apartments and inevitably carry away food items. You have to understand that this is a socioeconomic problem. This year, because of the droughts and poor harvests, we are predicting an increase in this type of theft and are planning to examine this matter at the next ministerial collegium meeting.

[Anisimov] How do you plan to resolve it?

[Radchenko] An entire system of measures is required here to protect the citizens against criminal acts. It begins with the work of the district inspector, the rayon militia department, and in many regards depends on how well the ROVD [Rayon Department of Internal Affairs] is equipped and capable of functioning. First of all, we must elevate the role of the district station both in the city and in the rural areas. I cannot be reconciled with a situation where the residents of a microdistrict do not know their district inspector. No matter what we say about the vertical structure, the activity of the district station must be evaluated not by the chief of militia on the basis of figures, but by the people, whether they trust it or not. I was quite surprised when, after my appointment as minister, my building was visited by the district chief who questioned neighbors about my lifestyle and left his visiting card—purportedly so that everyone would know him. The district inspector apparently must sooner or later visit each apartment in his microdistrict and know the problems faced by the residents, be familiar with the local criminal element, give talks on crime prevention, and offer assistance. It is important not to wait for calls for help but to prevent incidents. Even the gatekeeper must not only keep the grounds in order, but help the district station

as well. The way it used to be a long, long time ago. The rayon militia department must also function in an efficient and professional manner. Very recently I had a conversation with the deputy minister. He visited one of the rayon facilities and suggested the chief "go through" a simulated situation: There has been a robbery. Gather the operations team, take along the communications equipment, and demonstrate how an operation should be conducted. He then asked to watch a pistol disassembly (partial disassembly). You know, there are no words to describe how many problems the militia is facing. I am for professionalism and iron discipline. We are justifiably criticized for lack of discipline and slovenly appearance. In what other country could one see a general with a fat belly and shortness of breath? I believe that no matter what post you occupy, since you are in military service, you must be ready to carry out any task not only intellectually but physically as well.

[Anisimov] Do you believe that these measures will improve the effectiveness of the battle against crime?

[Radchenko] Not just they. Today the MVD is short 16,000 personnel. Using our own forces we can control only 19 percent of the country's territory. There is a drain of professionals. This year it amounted to 15,738 individuals. The number of crimes against the militia itself increased. As of 21 July 12 MVD agents were killed and 60 were wounded. At first glance our ministry is a huge army. But if we look at its structure, we see that no more than 20 percent of all the agents deal with the problem of crime.

[Anisimov] What about the rest?

[Radchenko] There are large units which work on other problems. For instance the Main Protective Administration (guarding various facilities)—50,000 strong. That is a self-supporting unit operating on the basis of contracts. Sometimes we are criticized for guarding bandits. Such cases have occurred. This, however, does not mean that the militia, guarding an organization on contract, is involved in shady dealings that may be something that that organization is doing. But I do believe that we should hold the monopoly on protective services with the use of weapons. Otherwise, thousands of so-called commercial "security" companies, which engage in collection of debts, etc., will immediately fill that niche.

Then there is the Main Administration of Corrective Labor Camps. Certainly, we must carry out a certain amount of operational work there as well in order to prevent the formation of criminal groups, but in principle, these establishments must be under the Ministry of Justice. The same with OVIR [Department of Visas and Registration] offices and the passport desks. Or let us take the LTP [treatment and therapeutic station]. The Ministry of Health shies away from them. But they deal with sick people who therefore fall under its jurisdiction. The Fire Fighting Administration is also a gigantic structure. At the present time, a Ministry for Emergency Situations is being organized, and it wants to place that administration under its jurisdiction. The fire fighters are really needed there. But I do not believe that this ministry should concern itself

with fires in the private sector. Therefore, breaking up the material base, with the level of financing available today, which is very poor, must be avoided. In the MVD itself, we eliminated subdivisions that we could not afford. The main Support Services Administration was cut by 97 percent along with other structures which were "attached" to the MVD.

[Anisimov] Volodymyr Ivanovich, according to the cited data, thousands of criminal groups have been detained over the last two months. What percentage of them will actually receive punishment?

[Radchenko] That is a key problem. Because of a weak legislative base, the work of the militia, no matter how heroic, is simply wasted. We have a remarkable advocacy law. It meets the most democratic standards. However, as the jurists themselves are saying, legislation called on to protect the interests of the victim is very poor. Therefore, those criminal elements with considerable resources that can afford to hire the best lawyers who specialize in machinations, finances, and the credit and banking system, escape all responsibility. There is no effective legislative system for protection against crimes in the economic sphere. Therefore, the country is really being "farmed out" on a wholesale and retail basis. Privatization in its present form, licenses, quotas, the order in which goods are shipped abroad make up a fertile field for bribe taking. People frequently say: What kind of struggle against crime is it if the leaders of criminal groups are honorary members of sports federations, etc. According to our legislation, however, operational-technical and other information is not enough for conviction. Witnesses are required, who are not available. Witnesses leave, change their testimony right in court when the courtroom is filled with half a hundred or so of the criminal's friends, waiting for that witness to walk out on the street. We have no witness protection program like the one that exists in the West. We are constantly developing and submitting our proposals on perfection of legislation both to the Cabinet of Ministers and parliament.

[Anisimov] Are you bothered by all of that recent hue and cry about crime and the militia?

[Radchenko] Fear makes a person weak-willed. I also believe that a certain campaign is under way to scare society. It is a complicated situation. But just look who is being murdered. Mainly people involved in commercial dealings. By the way, has even one of the businessmen knowing that he is in danger asked us for help? They come to us when there is no longer any other place to turn, and even then they do not tell the whole truth. Once we start an investigation, it turns out that he is himself one of them. He hires a bandit who was bribed and now starts yelling for help. There is the well-known adage—if you take an illegal route, everything will come out wrong.

[Anisimov] It seems the rabbits deserve the boa constrictors?

[Radchenko] You know, at some point people lost their faith. There are individuals who appealed for assistance

but did not get it. There was a man who came from Odessa some 20 times. Now we just made another check, and he was right! I believe that we will regain the trust of the population. Otherwise, we will never be able to control crime.

Oblast Head on Local Government Needs

*954K0234A Kiev PRAVDA UKRAINY in Russian
25 Oct 94 p 2*

[Interview with A. Kynak, chairman of Nikolayev Oblast Council, by N. Nechypurenko: "Off the Shoals and Into the Channel"]

[FBIS Translated Text] On 26 June, the day when 70 percent of the voters entrusted the post of chairman of Nikolayev Oblast Council to Anatoliy Kynak, he was not yet 40. By then the engineer-shipbuilder by profession had progressed from a common shipwright to chief of production at the large Okean dockyard. He also became skilled in politics, serving as a people's deputy of the Supreme Council of Ukraine, and then as representative of the president in Nikolayev Oblast. What were his first steps in the new capacity and have there been any changes in his convictions, goals, or methods?

[Nechypurenko] Anatoliy Kirillovich! Graphically speaking, Ukraine is a big ship designed for deep-water sailing. Why is it floundering in shallow waters instead of heading for the channel?

[Kynak] The trouble is that the specific delineation of our channel is yet to be made. But a law on local councils has been adopted. At the present time, while power structures are being formed at the center and the local level, such a law is of paramount significance. After all, the creation of effective state structures on the basis of professionalism will permit a more active development of the economy and resolution of the deep crisis. We are anticipating that, in accordance with this document, the regions will receive legislatively established rights to economic independence. This is extremely important for a more productive utilization of the available geographic, natural, production, and manpower potentials. The regional policy, of course, must be closely tied-in with general state interests. That must be taken into consideration by the Supreme Council, which adopted that law at the first reading but sent it back for more work.

[Nechypurenko] You also do not agree with all that is in it?

[Kynak] Yes. Utilizing this opportunity I would like to express my views and proposals on the pages of PRAVDA UKRAINY. In my opinion, one of the major shortcomings in it is the fact that the local councils of people's deputies are state organs of power. I fear that executive power will again be triple-headed in our case, consisting of the government, the president, and local councils. Life, however, dictates other rules. Local organs of power must be given the status of organs of self-government, while also legislatively delegating to them certain government powers. That will allow the creation of an effective and viable vertical line of executive power in the country, founded on his

personal responsibility and headed by the president of Ukraine. A similar vertical line must be created at the oblast level. Why fashion a Kremlin out of every rural council? Regulation of mutual relations between local organs of power and the government and the Supreme Council also requires a lot of additional work. That particularly applies to the elaboration and adoption of the budget of the nation with consideration of the specifics of each individual region. In order to avoid anarchy and darting about, there is a need for a clear legislative mechanism of responsibility of the council (executive committee) chairmen for fulfillment of decrees of the Supreme Council, the Cabinet of Ministers, as well as presidential edicts. But what is most important is that the law on local councils must find its place in the draft of the new constitution of Ukraine. That will permit many people to work calmly and confidently.

[Nechypurenko] Anatoliy Kirillovich, while the law on local councils, with consideration of numerous proposals and remarks, is being worked out, time is not standing still. Is anything concrete being done at the level of your oblast to resolve the socioeconomic crisis as quickly as possible?

[Kynak] Any dawdling with the adoption of that law must be avoided. We ourselves are not waiting for something in vain. Our initiative (that of a number of chairmen of oblast councils) created the Council of Regions of the President of Ukraine as a consultative-deliberative organ. Now all of our proposals are studied in the preparation of government drafts and compilation of edicts on particularly important problems of socioeconomic development. The Council of Regions, which is headed by L.D. Kuchma, includes chairmen of oblast councils and the Kiev and Sevastopol municipal councils of people's deputies and the vice premier of the republic of Crimea. The first session took place on 23 September in Zaporozhye. Our proposal on the conduct of a joint session of the Council of Regions and the Presidium of the Supreme Council before discussion of the law on local councils after the second reading, by the way, was adopted there. It is characteristic that most of the regional council members agreed that it is necessary to create a rigid vertical line of state executive power. This eliminates the question as to what kind of state we are building. It will be an optimal variant for Ukraine—a presidential-parliamentary state.

[Nechypurenko] There is no need to speak of an island of prosperity in a single individually taken oblast. Do you see a light at the end of the tunnel?

[Kynak] True. The situation in the country remains extremely serious. Still, because of the discipline and hard work of oblast labor collectives the decline in production this year was much smaller in our case than in Ukraine as a whole. That is small consolation, however. After all, most of our enterprises are already in a difficult financial position. It is no better in the agro-industrial complex either. The harvest has just been gathered, but numerous farms are on the brink of bankruptcy. What hurts the most here is the lack of parity in prices on industrial and food production coupled with the inadequately thought-out

credit and financial system. Some prospects, however, are already visible for surmounting the crisis. I know that the draft of a progressive law on taxation, as it is done in many civilized countries, has been prepared. The government also worked out a block of measures for the creation of stimuli in the development of material production and a package of documents pertaining to perfection of the system of labor remuneration. That is very important. After all, the most important problem in Ukrainian economy is not the deficit of energy sources or some other raw material. It lies in the fact that productive, conscientious labor is at present losing its value catastrophically, and does not guarantee a decent standard of living. Skilled, high-quality work must be well remunerated in all spheres of the national economy.

[Nechypurenko] Still, what makes you optimistic?

[Kynak] Despite the severe drought, we managed to stock enough grain until the new harvest. Winter crops have already been sown on an area which is 30,000 hectares larger than last year and we are continuing that work. Of course, we will eliminate cholera, which added to our problems, as well as many other social ills. But I believe that the difficulties are marshalling our forces and motivating our actions. That means better days are not too far off.

[Nechypurenko] Anatoliy Kirillovich, are you able to rely on your team both in the oblast and at the local levels?

[Kynak] Without a doubt. Our responsible positions are occupied by highly skilled personnel. We do not take into account former party membership of the people. The main criteria consists of them being able to work in a literate and professional manner and solve established tasks successfully. Two new departments were created within the oblast executive committee: on coordination of the work of law enforcement organs and the data and analytical department. The work of the organizational-control department, which is charged with very important functions, is being perfected. All this significantly intensifies the activity of executive power organs. There is someone to count on at the rayon level. There are 19 of them in eight rayons and people have reiterated their trust in former heads of administrations. The other posts of rayon council chairmen are also occupied by authoritative leaders. What is most important now is to pull our wagon out of the swamp with one team.

[Nechypurenko] I wish you success.

[Kynak]: Thank you.

Donetsk Mayor Views Donbass Socio-Economic Situation

954K0298A Kiev URYADOVYY KURYER
in Ukrainian 20 Oct 94 p 5

[Interview with Volodymyr Rybak, mayor of Donetsk, by Mykola Lisovenko; place and date not given: "Following the Path of Social Accord"]

[FBIS Translated Text] Certain political circles have spared no effort during the last few years to portray the Donbas as a region that opposes Ukrainian statehood and as a place where the main concern of the popular masses is to achieve proletarian autonomy. The recent elections revealed that there are indeed certain parties and groups whose programs reflect a desire to return to the past, but they also demonstrated that the overwhelming majority of the population of the Donbas region wants something quite different—economic reforms, social harmony, and greater prosperity.

Volodymyr Vasylyovych Rybak headed the Kiev District Council of Donetsk for a long time and then held the office of deputy chairman of the city executive committee. In the last election, he was elected mayor of Donetsk. In recognition of V. Rybak's authority, as well as the importance of Donetsk—the miners' capital with a million inhabitants—the oblast council of people's deputies also appointed him first deputy chairman of the Donetsk Oblast Council. As an expert on regional issues, V. Rybak was asked by the correspondent of *Uryadovyy kuryer* to analyze the current socioeconomic situation in the Donbas region.

[Lisovenko] What is the primary concern of the region's governing structures at this time?

[Rybak] The economy of our region is in an extremely critical state. The fixed production capital in the coal, metallurgical, and certain other branches of heavy industry is 50-70 percent worn out. Compared to earlier times, when the Donetsk region alone produced 105-170 million metric tons of coal a year, the 1994 output for Ukraine as a whole is expected to be only 95 million metric tons. Winter is approaching. We are short of gas, mazout, and fuel-rank coal for electric power stations. The oblast needs to buy 300,000 metric tons of wheat somewhere in order to have sufficient quantities of bread. We need to do everything we can and then some to get our housing and municipal services ready for the fall and winter, to see to it that our cities and towns are provided with drinking water, and to ensure that cholera is "kept out" of the oblast.

We need 10 trillion karbovantsi to overcome our financial difficulties, but we expect to get only eight trillion, because the financial system is paralyzed: accounts are not being settled, the budget is not being formed, everyone is in debt to everyone else, yet there are no guilty parties. In these conditions, only strict discipline and hard organizational work by the deputies to local councils, directors of industrial enterprises, and officials of the executive committees can help us all to survive inflation and the shrunken rate of production. As a matter of fact, our oblast executive committee is preparing such urgent programs to be approved at the session of the oblast council as "Housing," "Population Safeguards," "Rural Regions," and others. The "Rural Regions" program envisages the construction of hundreds of minibakeries in remote villages that are not reached by the bread delivery trucks.

Donetsk Oblast accounts for almost one quarter of Ukraine's economy. With the consent of the labor collectives, we are trying to take advantage of this potential to

obtain the products that are in short supply here from other regions. This is a matter of what might be termed a social accord between the governing structures and the labor collectives. We are doing everything we can to surmount the crisis.

[Lisovenko] What are the parties and other public organizations, which put forward a wide range of demands during the election campaign, doing in these conditions?

[Rybak] Donetsk Oblast has more than twenty registered parties. There are, of course, many differences among them, but, on the whole, we have recently been witnessing a trend towards consolidation around the state-building and international idea. The Donetsk strike committee, or, as it is officially known, the Donetsk Workers' Committee, is a separate matter. Five years ago, when the miners' strike movement was beginning, the committee saw it as its duty to fight for political rights. Today, the immediate concerns of the members of the workers' committee are the problems of their enterprises, the matter of payments, ensuring that housing is made ready for winter, etc. Recently, for the first time in our experience, Volodymyr Petrovych Shcherban, the chairman of the Donetsk Oblast Committee, brought together the representatives of all the political parties and movements of Donetsk Oblast and urged them to work together with the local authorities. We should note that this attempt at social reconciliation was not without positive results, although it is probably premature to speak of major achievements.

But the main thing has been accomplished: we want there to be harmony and not discord.

[Lisovenko] The recent meeting in Mariupol, which was attended by delegations from Lviv, Kiev, and other cities—is this also a stage on the path to harmony, only at the national level?

[Rybak] To a certain extent, yes. Donetsk residents have long been accused of avoiding contacts with the western regions of Ukraine. We believe that this is not so. The meeting in Mariupol was not only sincere but also fruitful, because it produced a whole series of measures that will enable us to improve the economic situation in several large enterprises and cities.

This meeting was also attended by representatives from the IMF. They were able to see for themselves that the political situation in Ukraine is such that investments can be made in both the eastern and western regions of the country. People everywhere are ready to work together.

[Lisovenko] How would you describe the status of Ukrainian national schools in the Donbas?

[Rybak] When I was chairman of the Kiev District Council of Donetsk, I managed to have the first Ukrainian school opened in our district. It is my firm belief that if parents want their children to be taught in their own native language, the state has to take all the necessary steps to ensure that this is done. We will continue to promote the

development of the state language and national culture. This is a major undertaking and it cannot be completed in a day or two.

[Lisovenko] In one of the provisions of its resolution, the oblast council of the previous convocation went so far as to call for "autonomy for the Donbas region." We also know that there was discussion in some parties and movements about creating a Donetsk-Kryvyi Rih republic. Instead, the president of Ukraine granted the four eastern oblasts of Ukraine the right to conduct a regional economic experiment, which some people viewed as a step towards strengthening separatist sentiments. How popular in the Donbas region are the ideas of regional self-rule at present, and what predominates—economic pragmatism or political passions?

[Rybak] Political passions ran very high here, but it is absurd, at best, to talk about separating the Donbas region from the rest of the state. Yes, we have the right to conduct an economic experiment, and we want to take advantage of this right. But for this to happen, the Supreme Council needs to move as quickly as possible to set up a division of functions between the center and the regions, determine what will constitute the tax base for the state and what will constitute the tax base for the region, and define the means that each will have at its disposal. This is essential. As to autonomy, let me assure you that no one is talking about this here. What we have is a Ukrainian state, Donbas as an integral part of this state, laws, and, finally, acceptance of this fact by both Ukrainians and members of the world community. Moreover, has the Donetsk region the resources to deal with the coal industry and all its problems on its own? Incidentally, I would like to remind you of the following. When the representatives of our "regional experimental aktiv" recently met with the delegations from five Russian border oblasts and expressed the wish to open the border and remove the customhouses, our partners very properly responded that there are laws in their country and they are not authorized to discuss these issues, let alone decide them. And so what we have is just that—an economic experiment, the purpose of which is to strengthen our economy and not pour oil on the political fire.

ECONOMIC AFFAIRS

Agency Seen Ready for Mass Unemployment

954K0071A Kiev *MOLOD UKRAYINY* in Ukrainian
7 Oct 94 p 1

[Interview with Volodymyr Yerasov, director of the employment service of the State Employment Center of the Ministry of Labor of Ukraine, by Volodymyr Oliynyk: "On the Threshold of Unemployment. 'We Will Not Leave Them in the Lurch'"]

[FBIS Translated Text] All the forecasts—Ukrainian as well as international—regarding the future rise of unemployment in Ukraine are gloomy. In conjunction with this, our correspondent met with Volodymyr Yerasov, the director

of the State Employment Center of the Ministry of Labor of Ukraine, and asked him to answer a few questions.

[Oliynyk] Mr. Yerasov, with everyone concerned about the predictions that there will be mass unemployment as early as next year, what can the state employment service do to provide jobs for the unemployed?

[Yerasov] Our agency's possibilities are defined by acting legislation, to which, incidentally, we have proposed changes and additions to take effect as early as November because of the worsening situation. These changes involve increasing the amount of assistance as well as the length of time that benefits will be provided. We recommend that the government recognize not only those who are unemployed, but also those who are only partially employed, that is, those who do not work full-time, in order to compensate them for losses suffered by not working a full work week.

As far as our service is concerned, we have already amassed a certain amount in the Fund To Promote Employment, which enables me to say that we are ready for mass unemployment in Ukraine. Still, everything depends on the way in which our economy develops and how quickly we begin functioning as a market economy. Because according to our own and International Labor Organization specialists, who recently conducted a survey of the labor market in Ukraine, 20-25 percent of the work force at enterprises and organizations are superfluous employees, whom managements are forced to keep on the job to prevent a social explosion.

The active policy we are pursuing is based primarily on retraining people for more competitive professions. But this involves surmounting a great psychological barrier and breaking down stereotypes among Ukraine's able-bodied population, which has not yet become accustomed to the new conditions. People still believe that the skills they once acquired will guarantee them a living for the rest of their lives. The reality is quite different. The evolving labor market requires a continual upgrading of skills. Our esteemed readers must understand this. The more competitive the profession, the better the chances of finding work. If we were to describe the situation in numbers, some 360,000 people have come to us this year for help in finding employment. We found jobs for 35 percent of them, and close to 30,000 persons are being retrained to acquire new professions. These include bookkeepers, clerks and secretaries with computer information processing skills, automobile service specialists, and specialists in repairing consumer radio, audio, and television equipment. In other words, these are the professions for which there is currently an increased demand in Ukraine.

There now exists a system of training and job counselling centers that provide the best advice and help on how to go about mastering a new profession. They use tests and aptitude trials. In other words, they do everything to provide a person who has come to the employment center with as much information and advice as possible to assist him or her in making the right choice of a new profession.

[Oliynyk] Volodymyr Vitaliyovych, there is much talk about the possibility of a social explosion in the Donbass region. What will happen to the miners at unprofitable mines? And which regions of Ukraine have the fewest jobs?

[Yerasov] You know, we are not worried about the situation in the Donbass, because the rumors about large layoffs of miners are untrue. No layoffs are taking place, and there will be no such layoffs in the near future—at least not on a scale that would cause a social explosion. Despite this, however, we have long been urging the creation of a special state program for providing a social safety net for laid off miners in the future. Everyone knows that production volumes in this sector, especially in light of the overall drop in production in Ukraine, will decrease. In addition, considering how dangerous these jobs are, we need to eliminate as many of them as we can. We are prepared to organize a system of professional retraining in this region immediately. However, thus far there is no official need for it, but we do have the necessary funds for this.

Moreover, the Ministry of Coal Industry [as published] gave us their center in Luhansk, and we opened a regional management institute there. And so, we are prepared to provide retraining for all those who are laid off from work in this sector.

We are more concerned about the western regions of Ukraine, where the unemployment level has long since reached 1 percent of the total number of those employed. The production infrastructure there is such that there is virtually no alternative other than to create new jobs. We are currently working on special projects that will make it possible for us not only to find jobs for people, but also to recoup the money invested in this. And one more thing—let me assure your readers: The unemployed will not be left in the lurch in Ukraine.

Procedure for Account Settlement in Foreign Currency

954K0104A Kiev URYADOVYY KURYER
in Ukrainian 6 Oct 94 p 8

[Text of Ukrainian law issued on 23 September 1994: "On the Procedure for Settling Accounts in Foreign Currency"]

[FBIS Translated Text]

Article 1. The foreign exchange earnings of residents must be deposited in their foreign currency accounts at authorized banks on the dates of payment stipulated in the contract but no later than 90 calendar days after the products being exported have been processed through customs (filing of the freight export customs declaration, and in the case of the export of jobs (services) and intellectual property rights, from the time of signature of the act or other document that certifies that the jobs have

been performed, services rendered, or intellectual property rights exported. An individual license from the National Bank of Ukraine is required to extend the stipulated deadline.

Article 2. Import operations conducted by residents, which involve postponed deliveries, require an individual license from the National Bank of Ukraine if the postponement exceeds 90 calendar days from the time that advance payment is made or a promissory note is issued to the supplier of the imported products (jobs, services).

Article 3. Residents who purchase foreign currency through authorized banks to be used to meet their obligations to nonresidents are obliged to transfer these sums within five days from the time that these sums are deposited into the residents' foreign currency accounts.

Article 4. The violation by residents of the deadlines stipulated in Articles 1 and 2 of this law is subject to a fine for each day past the deadline amounting to 0.3 percent of the sum of unreceived payment (the customs value of undelivered production) in foreign currency, calculated at the official foreign currency exchange rate on the day that the fine is imposed. The total amount of the fine may not exceed the owed amount.

Article 5. If residents violate the deadline stipulated in Article 3 of this law, the purchased foreign currency shall be sold by authorized banks within five working days on the interbank foreign currency market of Ukraine. In the event of a positive balance resulting in such transactions from differences in the exchange rate, the amount of this difference shall be transferred quarterly into the State Budget of Ukraine. A negative balance resulting from differences in the exchange rate shall be applied to the results of the economic activity of the resident.

Article 6. The National Bank of Ukraine may issue individual licenses allowing the deadlines stipulated in Articles 1 and 2 of this law to be extended in the execution by residents of agreements on production cooperation, consignment, complex construction, deliveries of complex technical products, and special-purpose goods.

The procedure for designating the operations of residents as falling into the category of those described in the first part of this article shall be established by the Cabinet of Ministers of Ukraine.

Article 7. To establish that Ukrainian Cabinet of Ministers Decree No. 17-93 of 19 February 1993 "On the Procedure for Settling Accounts in Foreign Currency" (*Vidomosti Verkhovnoyi Rady Ukrayiny*; 1993, No. 17, p. 186; No. 49, p. 462) is no longer in force.

[Signed] President of Ukraine
L. KUCHMA
Kiev
23 September 1994

Deputy Favors Rapid Privatization

954K01384 Kiev HOLOS UKRAYINY in Ukrainian
14 Oct 94 p 2

[Article by Oleksandra Kuzhel, people's deputy of Ukraine and deputy chairman of the Ukrainian Supreme Soviet Commission on Questions of Economic Policy and Management of the National Economy: "Three Sources, Three Component Parts..."]

[FBIS Translated Text] There has been talk of economic reform in Ukraine for some years now. Liberalization, privatization, stabilization—these words have not only become familiar, they have come to be terms of abuse: liberalization means an orgy of prices and anything-goes, privatization means grabization or robbery. And stabilization is reflected in constant changes of political policies, and governments, and declining coupon exchange rates.

Parliament debates privatization from time to time. The level of arguments rises to vast economic heights and is grounded in these theses: Will privatization boost the effectiveness of some enterprise? Should property be turned over to an effective owner? And who is he? The debates go on, reforms stand still. And do we need privatization at all?

In order to answer these hard questions, let's look at the political-economic side of the problem. Let me cite some quotations from a political economic textbook: "The source of economic progress, like any other kind, is contradiction"; "the greatest general and basic motive force of the development of production is contradiction interacting with consumption."

If we project this idea onto the philosophy of economic reform, the chief motive force of the economy, its contradiction which can be resolved constructively, is COMPETITION.

Once more, objective laws tell us that the creation of a competitive environment, the capacity and conditions for competition among subjects of entrepreneurial activity, regardless of forms of ownership, must serve as the leitmotif of reform as a whole, and the competitiveness of the entrepreneur must serve as the chief measure of effectiveness.

Is it possible to create a competitive environment if the country only has state-owned enterprises? Yes. We have examples of countries (Israel) where 90 percent is state owned. But Israel has "transparent" borders, and its enterprises operate effectively thanks to foreign competition. Is the same scheme for creating a competitive environment acceptable for Ukraine? No, because for us to open our borders would be to kill our own producers, as the example of Poland shows.

If we basically take the protectionist path and limit foreign competition, there will only be one source to force enterprises to lower their prime costs and boost profits—competition on the domestic market. But how to get competition between exclusively state-owned enterprises

is something no one has answered. Neither was the question answered by 70 years of bureaucratic socialism and socialist "competition," that is, ersatz competition.

Conclusion: we must realize that privatization is primarily an objective process of demonopolization of property and, hence, the economy as a whole. It is impossible to create a competitive environment without privatization. This is the position from which to view the question of the need to institute it; anything else is political demagoguery.

No less important is the question of the pace of privatization. There are many points of view: some people think we should move faster; others think the opposite. They cite examples of privatization in many countries, starting with Britain, where privatization has been going on for a century, and ending with the Czech Republic, where it has been going on for maybe three to four years.

Let me answer once more, starting with the fact that the faster we create conditions for competition the more effectively the economy will work. An uncompetitive economy will require the state's constant intervention in industry and budget support for enterprises. Whether the budget can stand that burden—and if it can, how much—is a rhetorical question for Ukraine.

It is easy to predict that under conditions of the overall decline in production in an uncompetitive environment, budget revenues will also drop. Hence, the pace of creating a competitive sector has to be fast. To be sure, there is hope for a "sugar daddy" from the West (as in the case of Germany) who will help with small change while we recuperate through the transition period, but.... There will be help if the transition period doesn't last for a century, because that is something not only Ukrainian taxpayers but taxpayers of the West and the East cannot stand.

Conclusion: the pace of privatization must be set not by political slogans but by purely economic, pragmatic approaches. As long as the state budget and the taxpayers put up with the burden of the state support of enterprises, there will be no creation of a competitive environment. Anything else is political demagoguery.

Experience in carrying out reforms in property relations in Ukraine demands an answer to another question closely linked to the previous two. If privatization is to be carried out, in what way? There has been a lot of debate on the question, and many priorities and goals have been proposed, from seeking the effective owner to boosting incentives to work.

Practice and world experience have shown that attempts to use privatization to obtain funds for the budget or to effect fair distribution of property look like nothing but another utopia. There are practically no funds, owing to unrepaid disbursements, and justice is interpreted differently by each party and each citizen.

In that regard, let me express a few seditious thoughts. My acquaintance with privatization in post-socialist countries like Poland, the Czech Republic, Hungary, and others convinces me once more that privatization must be carried

out as openly as possible, rapidly, and conflict-free. The faster we get through the transition period, the sooner the country will get up off its knees. The time factor is crucial. It is more important to create competitive conditions than to palaver for years about which method to use.

Present talk of nationalization is simply frightening, because it goes against the elementary logic of the development of society and the economy. It is hard to build anything new. But returning to the past is impossible. Those who would make privatization out to be a bogeyman need to realize that there is no alternative.

Conclusion: Having charted the course of property reform, we need to hold to it like a helmsman in heavy seas. Anything else is political demagoguery.

Report on Edict Changes Income Tax Payments

954K0280B Donetsk AKTSENT in Russian 4 Nov 94 p 2

[Comments by A. Papanka, inspectorate chief, state tax service counselor 2d rank: "On Changes to the Current Legislation on Individuals' Income Tax"]

[FBIS Translated Text] On 31 October 1994 the Ukrainian president signed Edict No. 649/94 "On Changes to the Ukrainian Presidential Edict Dated 13 September 1994," which sets the minimum individual income not subject to income tax at 780,000 karbovantsy a month (the previous approved minimum of 240,000 karbovantsy was repealed).

Progressive tax rates are retained as set forth in Point 2 of the Ukrainian presidential edict dated 13 September 1994 "On Increasing the Nontaxable Minimum and the Progressive Individual Income Tax Rates."

Taking into account the aforementioned changes, accounting personnel at enterprises, institutions, and organizations are advised to use in their practical work the following table for income tax calculation:

Income Tax Calculation Table as of 1 October 1994	
Monthly aggregate taxable income (in karbovantsy)	Tax rate and amount
780,000	not taxed
780,001-3,900,000	10 percent of the amount over 780,000
3,900,001-7,800,000	312,000 plus 20 percent of the amount over 3,900,000
7,800,001-11,700,000	1,092,000 plus 30 percent of the amount over 7,800,000
11,700,001-19,500,000	2,262,000 plus 40 percent of the amount over 11,700,000
19,500,001 or more	5,382,000 plus 50 percent of the amount over 19,500,000

These income tax rates are applied to individuals' wages and other income earned since 1 October 1994.

In calculating income tax for October it should also be kept in mind that the Directive No. 88 of the Ukrainian Main

State Tax Inspectorate dated 1 September 1994, and registered in the Ukrainian Ministry of Justice under No. 230/440 on 28 September 1994, introduced changes and additions to the instruction "On Individual Income Tax" dated 11 October 1994 (published in BIZNES No. 40, 1994).

Now for individuals entitled to exemptions, the aggregate income and taxable income first is reduced by a certain number of nontaxable minimums (one..., four..., nine..., 14), and then income tax is calculated beginning at the top of the table, which has built into it one more nontaxable minimum each working person is entitled to.

At the same time, be advised that the nontaxable amount of financial aid also is being increased and in 1994 will amount to 3,420,000 karbovantsy (120,000 times 9 months plus 780,000 karbovantsy times 3 months).

Agriculture Official on Bread Price Controls

954K0142B Kiev URYADOVYY KURYER in Ukrainian 8 Oct 94 p 5

[Interview with Oleh Persiyanov, deputy minister of agriculture and food, by Zoya Krasnodemska; place and date not given: "Twenty-Seven Trillion Karbovantsy To Hold Down the Price of Bread. That Was the Sum Allocated by the Cabinet of Ministers of Ukraine"]

[FBIS Translated Text] Bread has been regarded as the main staple of life since ancient times. That is why bread is held in such high esteem and even venerated as a symbol. That is also why our state endeavors in all conditions and through the most unforeseen crises to keep the price of our rich loaf as low as possible. This is precisely the aim of the decree "On State Regulation of the Prices of Bread and Bakery Products and Mixed Feed" issued on 23 September of this year by the Cabinet of Ministers.

However, as evidenced by telephone calls and letters to our editorial department, public reaction to this decree has not been uniform. We therefore asked Oleh Persiyanov, deputy minister of agriculture and food, to return to this subject again.

[Persiyanov] In Kiev, where the decree of the Cabinet of Ministers came into force somewhat earlier than in other cities, there was indeed a certain lack of understanding. The feeling was that government leaders had promised to hold down the price of bread and then suddenly had let it rise. Let me therefore begin by explaining that the intent of the decree was not to raise bread prices but most definitely to hold them down and regulate them. And indeed no one has liberalized the price of this vital staple of our life. Were this the case, a loaf of bread baked with grain from the new harvest would cost 10,000-15,000 karbovantsy. That is the real cost of a loaf of bread today.

Instead, despite great financial difficulties, the Cabinet of Ministers allocated 27 trillion karbovantsy to hold down the prices of bread, bakery products, etc.

These funds are being used in the following manner. This year, the state bought grain with money from the budget in

the form of a so-called budget loan. This loan was extended to the bread production system, which took in the grain deliveries from agricultural producers. This grain will be sold to be used for the production of mixed feed or flour, and the receipts from these sales will be used to pay back the budget loan and cover the difference between the actual and regulated price of grain. Thus, decreasing the amount of the budget loan will provide funds for covering the difference in prices.

It should be remembered that the decree in question charged the local state administrations with deciding all matters connected with the formation of bread prices. That is why different oblasts formed different prices. Kiev had the cheapest bread. A loaf of Ukrayinskyy bread sold here for 2,000 karbovantsy, while in Vinnytsya it cost 3,068 karbovantsy, in Volyn Oblast—3,600 karbovantsy, and in Rivne—3,908 karbovantsy. That is why it became necessary to equalize prices.

[Krasnodemska] But what caused this difference in prices, and how did Kiev's executive authorities manage to "hold" a relatively low price for this product?

[Persiyarov] It was because the prices of bread and bakery products had not been reviewed since December 1993. But this resulted in large losses for the bakery and flour milling sector. Thus, the leased enterprise Kyivmlyn sustained a loss of 56 billion karbovantsy this year, and bread baking enterprises lost 52 billion, which, in turn, resulted in a critical financial state. And, as a consequence, a rise in social tension in the collectives and layoffs of skilled workers.

This forced the city to ask the government for a subsidy from the state budget in the sum of 57 billion karbovantsy.

As a matter of fact, we have a similar situation in other oblasts as well. Especially in Donetsk Oblast, where the ill-considered policy of holding down the price of bread caused bakery and flour milling enterprises losses of 210 billion karbovantsy, in Luhansk Oblast—110 billion.

As you can see, we cannot let this continue. Enterprises must make profits, not losses. Otherwise, we will not surmount the crisis.

More on Economic Talks With Russia

954K0142A Kiev URYADOVYY KURYER
in Ukrainian 8 Oct 94 p 8

[Article from the Press Center of the Ministry of Foreign Economic Relations of Ukraine: "Constructive Talks in Moscow"]

[FBIS Translated Text] Charged by the president and the Cabinet of Ministers, an official government delegation from Ukraine, headed by S.H. Osyka, minister of foreign economic relations, visited Moscow to hold talks with O.D. Davydov, minister of foreign economic relations of the Russian Federation.

This was the first meeting in three years to be held at the level of the ministers of foreign economic relations of

Ukraine and the Russian Federation. The high-level representation at the meeting testifies to the singular importance of the issues under discussion to energizing the development of foreign economic relations between the two countries on a qualitatively new level.

As a result of the negotiations, the two parties agreed upon and rewrote the texts of such agreements between the governments of the two countries as "On Instituting a Free-Trade Regime," "On Cooperation Between the Ministry of Foreign Economic Relations of Ukraine and the Ministry of Foreign Economic Relations of the Russian Federation," and the protocol "On Implementing the Agreement on the Re-Export of Goods and the Procedure for Granting Permission To Re-Export Goods of 15 April 1994 in the Bilateral Relations of Ukraine and the Russian Federation."

These documents will significantly improve economic relations between the two countries. In particular, the agreement on instituting a free-trade regime provides for creating an effective mechanism for cooperation in the practical implementation of a free-trade regime based on the principles and norms of GATT, the Uruguay round of negotiations within the GATT framework, which both Ukraine and the Russian Federation abide by. To this end, the two sides agreed to create a joint working group to draft proposals on a balanced reduction of exceptions to the free-trade regime. The treaty formalizes the agreement of the two sides to establish a mutual moratorium on introducing new quantitative restrictions in bilateral trade. The treaty also provides for working out joint measures to regulate trade with third-party countries. The protocol between the Governments of Ukraine and the Russian Federation "On Implementing the Agreement on the Re-Export of Goods and the Procedure for Granting Permission To Re-Export in the Bilateral Relations Between Ukraine and the Russian Federation" provides for, among other things, the temporary implementation in the relations between our countries of the provisions of the above-named agreement, signed on 15 April 1994, until it comes into force [as published]. Both sides also designated the bodies authorized to issue permission to re-export goods. The parties agreed to exchange within a month of the date of the signing of this protocol lists of goods whose re-export requires special permission, and within two months, to draft a uniform procedure for processing documents for the re-export of such goods.

This will help to put a stop to illegal re-exporting, which is literally destroying the economies of both countries, causing billion-dollar losses and harming the interests of producers who want to cooperate in the Russian market on mutually beneficial terms.

The agreement "On Cooperation Between the Ministry of Foreign Economic Relations of Ukraine and the Ministry of Foreign Economic Relations of the Russian Federation" establishes the principal directions and mechanisms of cooperation between the two ministries in order to effectively solve problems that exist now or may emerge in the

future in spheres that are functionally subordinated to the Ukrainian and Russian ministries.

The two sides agreed to consult on issues involved in harmonizing tariff and nontariff methods of regulating foreign economic activity and in coordinating actions in negotiations regarding membership in GATT/VTO [expansion not given], the IMF, and the International Bank of Reconstruction and Development in order to accelerate the lifting of existing restrictions faced by our two countries in foreign economic activity. Agreement was also reached on creating an information network for the purpose of consultation and joint action in matters of price and import policies to protect the interests of Ukraine and the Russian Federation in third-country markets, who vigorously implement antidumping measures. In some cases, the enterprises of both our countries are often jointly the subject of such investigations.

There was also an exchange of ideas during the talks regarding the possibility of drafting joint conceptual approaches when the commercial interests of both countries coincide. The overall context of the negotiations was based on the principles of GATT/VTO, which attests to a mutual desire on the part of both sides to overcome the stereotypes of the late CEMA as quickly as possible. It was noted that the existence of substantial disparities in the normative regulation of economic relations causes significant harm to economic entities in both countries by hindering the growth of trade and investment and cooperative collaboration. Agreement was also reached on the need for joint actions in the sphere of price policy in third-country markets. The Russian side put forward a proposal regarding the need to create joint unions of producers of highly liquid production [vysokolikvidna produktsiya].

The two sides agreed to apply joint measures in combating violations of the economic legislation of both countries.

It was also agreed to continue the talks in the near future at the level of the deputy ministers of foreign economic relations of Ukraine and the Russian Federation for the purpose of implementing in practice the agreements reached in the negotiations.

Reasons for Currency Crisis Analyzed

954K01204 Lvov POST-POSTUP in Ukrainian
No 36, 6-12 Oct 94 p B1

[Article by Yaroslav Khobta: "The Ukrainian Karbovanets as a Mirror of the American Dollar in the Land of Crooked Mirrors"]

[FBIS Translated Text] *This autumn's stabilization of the Ukrainian karbovanets can only be equated to the stability of a physical body on a landscape of American hills. The dollar ended its languid summer floating and began to make game of the Ukrainian monetary unit in the most brutal way. The last week of September, when the exchange rate rose to 1,000 coupons to the dollar one day and fell to 5,000 the next, was the best time for defending the economic*

theory that the Ukrainian financial system is an unprecedentedly unique phenomenon inasmuch as it operates in the virtual absence of a Ukrainian financial policy.

The word "absence" accurately defines Ukrainian financial policy. The fact that leading economists, with the country's prime minister in the lead, talk of the galloping nature of our national currency and say that the causes of its increased "saltation" "had been forecast" means only one thing—we HAVE NO financial policy. We have a government, whose functional duties boil down to observing what is happening and then commenting upon what happened in the country entrusted to it.

What Did Happen to the Karbovanets?

What happened to the karbovanets was what Valeriy Babych, the chairman of the governing board of the Ukrainian Financial Group Joint-Stock Company, predicted on the eve of the election would happen. When he claimed that at the beginning of the fall the exchange rate would reach 70,000 karbovanetsy to the dollar, some people, citing the low monthly inflation rates, called these predictions fantastical. But there was nothing fantastical about them. The National Bank of Ukraine, whose management has pursued an austere monetary policy in the fall, had issued credit flows in the summer, moreover in unprecedented amounts. The consequences of this step by the NBU were predicted by Biznes P-P back at the end of August, when there was yet no sign of a currency crisis. The emission was not initiated by the National Bank, however, but by the Supreme Council of Ukraine, which, bowing to pressure from the agrarian lobby, had adopted a decision about this emission as far back as June. According to Prime Minister Vitaliy Masol, 47 trillion cheap karbovanetsy were injected into the market in July-August alone!

Viktor Yushchenko, the chairman of the board of governors of the NBU, warned at the time that if this nonmonetary issue hit the market in monetary form, it would be impossible to avoid a jump in the dollar.

Another emission-linked cause of the September crisis was that the Ministry of Finance received a mid-year loan from the NBU in the amount of 44.3 trillion karbovanetsy. The reason why this money was needed was simple. The Ministry of Finance had to finance the temporary cash gap between budget expenditures and revenues. This credit allowed the Ministry of Finance to close the budget hole of 25 trillion karbovanetsy, and everything went on as usual. The theoreticians of the currency and financial market in Ukraine put forward still another reason for the September crisis. In their opinion, it was caused by the fact that the karbovanets has recently been circulating through shadow-economy channels much more quickly, which, according to economic theory, inevitably leads to the devaluation of the monetary unit. There is something to this, especially when one takes into consideration several nuances. First, one of the principal areas on which the president of Ukraine has focused is waging a determined battle against the shadow economy. Second, although the foreign currency crisis encompasses the whole of Ukraine, the karbovanets fluctuates at different rates in different regions. For

example, during the last week of September, in Kiev and Zhytomyr the dollar fluctuated between two and three thousand karbovantsy, while the rate of fluctuation in Lvov was several times higher. In the latter case, the absolutely legal but undeclared games of local financial institutions could also have affected the dollar.

The President's Edict: Another Cause of the Crisis

The president's edict "On Perfecting Foreign Currency Regulation," which was issued more than a month ago, also played a role in causing the crisis in the currency market. During a visit to Odessa, the same Vitaliy Masol said that it was this edict that caused the dollar exchange rate to rise: Everybody began to buy up dollars to prepare for foreign currency trading on the exchange, which was to reopen on 1 October according to the edict. In addition, according to the edict, the official and market rates of the dollar were to be unified by the end of the year. Once again, *Biznes P-P* warned that this would be possible to accomplish only if the NBU began raising the official exchange rate more quickly. That is what the NBU is now doing, but the "black" market has also mobilized to delay the unification, which is an absolutely normal reaction.

The sharp rise of the dollar exchange rate on the black market not only delays the process of unifying the rates, but generally puts in doubt the schedule for executing the edict. As we know, the edict anticipated that in October the size of the disparity between the two rates would be 0.25 percent. Perhaps the NBU could achieve this result by the end of October if not for the continual rise in the exchange rate of the dollar. According to Vadym Hetman, the chairman of the Council of the Exchange Committee of the Ukrainian Interbank Currency Exchange [UMVB], regardless of whether the currency exchange begins to operate or not, the exchange rate of the dollar will rise another 30-35 percent in the near future.

As to the Ukrainian Interbank Currency Exchange, its reopening cannot be regarded as a panacea for all the problems that exist in the currency and financial market. Until now, the exchange operated under a monopoly regime: No more than five to seven banks took part in its transactions. This alone makes it impossible to speak of the absolute objectivity of the results of trading on this exchange. First and foremost, the exchange must avoid monopolism both as it applies to it as an institution and in the way it functions internally. Today, only the Crimean exchange can be cited as a model, but the political instability in Crimea is not conducive to the establishment of objective market relations between Kiev and Simferopol.

What Will Happen Next?

The forecast is pessimistic. According to the Ministry of Statistics, in August 1994, the consolidated budget deficit reached 23.1079 trillion karbovantsy (see chart [graphics not reproduced]). Keep in mind that these data are for August. The budget deficit is expected to rise by the end of the year inasmuch as the decree issued by the Supreme Council of Ukraine on 23 September allows for a maximum primary credit emission by the National Bank of

146 trillion karbovantsy to the end of the third quarter and 164.6 trillion to the end of the fourth quarter. The only good news in this decree is that, starting with the fourth quarter of this year, the NBU will extend credit to the government only on the basis of short-term promissory notes from the Ministry of Finance. True, this last provision is a recommendation rather than an order. In any event, such measures can hardly compensate for the NBU's emissions, and the exchange rate of the dollar may continue climbing steadily until the end of the year. We may then view Hetman's prediction that the dollar will rise only 30 percent as our good fortune. According to other forecasts, the dollar may cost 170,000-180,000 karbovantsy before the new year. We are not inclined to believe that the karbovanets will become that cheap, inasmuch as the National Bank will begin making currency interventions on the Ukrainian Interbank Currency Exchange to artificially halt the devaluation of karbovanets as early as October (according to some sources). A decision has already been adopted that the NBU will use 10 percent of the funds bought at auctions for currency interventions. At the same time, a number of harsh monetary measures will be applied (in particular, greater control over the purchase of foreign currency with the assistance of the Ministry of Foreign Economic Relations, etc.). The one thing that the NBU should avoid in its cheap dollar forays into the market is repeating the actions of the Central Bank of Russia, whose recent currency interventions have caused considerable damage (see separate article).

In fact, the cause of all this was the president's edict "On Perfecting Foreign Currency Regulation," which has been analyzed inside out. Only one thing has been overlooked—that the edict, according to Anatoliy Halchynskyy, the president's adviser on macroeconomic issues, counted on the support of the IMF, which was to help create a stabilization fund for Ukraine. This stabilization fund is to maintain the exchange rate of the Ukrainian national monetary unit at a more or less stable level. So far, there is no such fund. If it is not created by the end of the year, the only thing left of the president's edict may be good intentions. And of the dollar costing 70,000 karbovantsy—only nostalgic memories.

Wage Increase Legislation Interpreted

954K0253A Kiev RADA in Ukrainian 27 Oct 94 p 2

[Article by Ihor Karpenko: "Wages Have Been Increased. All We Need To Do Is Find the Money To Pay Them"]

[FBIS Translated Text] On 20 October, the Supreme Council approved a package of documents submitted by the government that raised wages, pensions, and social benefits

Thus, under the Council of Ministers' decree "On Raising Wages at State Enterprises, Institutions, and Organizations," the wage and salary rates of employees of state enterprises and enterprises founded on state property were raised fourfold; under the decree "On Increasing the Coefficients for Determining the Basic Consumption Fund," these will increase by a factor of 1.6 in the fourth quarter; and under the decree "On the Amounts of State Assistance

To Different Categories of Citizens in October 1994," assistance to families with children and members who are unemployed will be doubled. Families in which the total average income per family member amounts to 780,000 karbovantsy will also have the right to receive assistance. Other decrees provide for tripling stipends, raising compensatory payments to "Chernobylites" by a factor ranging from 1.5 to 3 (depending on the type of payment), and increasing burial benefits to 3.7 million karbovantsy (from 2.12 million). In addition, 70 percent of a family's real cost of municipal services will be compensated by the state as of 1 October (in connection with rate increases) but not to exceed 250,000 karbovantsy per family, in cases where the total income per family prior to this date was less than 780,000 karbovantsy; pensions will be increased by a factor ranging from 2 to 3.6 (depending on the amount—the highest increase for the lowest rate); and the unemployment benefit will amount to 370,000 karbovantsy.

The base low-income level, on which most of the decrees are founded, has been set at 780,000 karbovantsy. The level of prices in October will show whether this amount is adequate or too low. Each of the government's decrees needs to be examined separately, which, undoubtedly, will be done in the future. But the most important question today is the availability of funds to carry out these decrees. Deputy Prime Minister Ihor Mityukov, who reported to the Supreme Council on these issues, intended to explain what this package of approved decrees will cost the budget, but Chairman Oleksandr Moroz, as usual, interrupted the speaker and never did let him say what the cost would be.

Obviously, this figure, like truth, will out—sooner or later, it will become known. According to unofficial estimates, the government's social programs will cost no less than 20-30 trillion karbovantsy this year. Meanwhile, according to Ministry of Finance data, this year's budget can allow a maximum deficit of 109 trillion karbovantsy, which will amount to 10.9 percent of GDP (under the obligation undertaken to the IMF, the budget deficit is not to exceed 10 percent). There is no question that budget revenues will continue to fall, and the credit emission approved by the Supreme Council for the same period amounts to only 18 trillion karbovantsy. Thus, it will simply be impossible to cover the new expenditures, while leaving all those already planned for in place, without violating the designated parameters. That is why both Volodymyr Lanovyy and Viktor Pynzenyk opposed raising wages and pensions this year. The latter believes that raising wages sevenfold will result in a nine- to tenfold rise in prices.

According to Mykhaylo Doroshenko, the director of the president's press service, Leonid Kuchma also believes that we should have confined ourselves this year to targeted, individual assistance to the neediest. Otherwise, there is a danger of a final "explosion" of the Ukrainian market and loss of control over inflation.

Income Tax Reporting Regulations Explained

954K0280A Donetsk AKTSENT in Russian 4 Nov 94 p 2

[Announcement of the Donetsk Oblast State Tax Inspectorate: "On Income Declaration by Individuals"]

[FBIS Translated Text] In keeping with the current legislation, individuals who permanently reside in Ukraine are obligated to pay income tax on all income they receive regardless of its source.

Also, since 1993 individuals are taxed on the aggregate annual income on the basis of the principle "equal income—equal taxes." This means that over the year income tax is withheld monthly at a certain rate from an individual's income at his main place of employment (where his labor record is kept and deductions are made into the social security fund). After the year's end, and before 1 February, each enterprise recalculates the annual amount of income tax on the basis of each employee's average monthly income over the elapsed year.

If an individual earns some income outside his main place of employment (part-time work, contract work, dividends, financial assistance exceeding the tax-exempt limit, or other) in both monetary and in-kind form, over the year a 20-percent tax is withheld from this income at the source of payment, and the information on such payments is sent within 30 days after the money is paid to the tax inspectorate at the place of individual's residence, where this information is systematically organized and entered into a computer. The final recalculation of income tax due for such taxpayer is done by the tax inspectorate on the basis of the declaration he is to file before 1 March of the year following the tax year, and information received from enterprises, institutions, and organizations.

In order to correctly fill out the declaration and determine the tax liability to the state, persons who earn income at places other than their main place of employment must keep records of such income and expenses incurred in the process of generating such income, in the following form:

Month	From whom received and for what	Gross income	Deductions	Taxable income	Tax paid (withheld)
1	2	3	4	5	6

It should be kept in mind that for nonworking individuals who have the right to certain income tax exemptions (war veterans; persons assigned Category I, II, III, and IV; victims of the Chernobyl catastrophe; persons disabled since childhood; etc.), who receive income from different

sources in the form of dividends, financial aid, bonuses, and other lump payments, income tax is recalculated after the end of the tax year on the basis of the aggregate income declaration they file, taking into account exemptions envisaged by the legislation.

After the recalculation is done, underpaid tax is withheld, and overpaid tax is refunded to the taxpayer or, upon his consent, is counted towards next year payments.

Taxpayers should remember that it is their duty to declare income (file a declaration). This is envisaged by Article 19 of Ukrainian Cabinet of Minister Decree No. 13/92, dated 26 December 1992, "On Income Tax on Individuals." Not filing a declaration is considered tax evasion. Failure to file a declaration or inclusion of false data in it results in administrative liability in the form of a fine in the amount between one and five minimum wages.

Individuals should prepare to declare their income because income tax declarations for 1994 must be filed by all citizens of Ukraine, foreign citizens, and individuals without citizenship who reside permanently in Ukraine.

Specific questions on the procedures for annual recalculation of income tax liability should be addressed to tax inspectorates at the place of residence.

INTERNATIONAL AFFAIRS

Outcome of Winnipeg Meeting on Ukraine Detailed

954K0262A Moscow KOMMERSANT-DAILY
in Russian 29 Oct 94 p 4

[Article by Georgiy Bovt: "Moscow's Path to the Paris Club Runs Through Kiev: G-7 Conference on Assistance to Ukraine"]

[FBIS Translated Text] **Fort Garry fell under the onslaught of the Indians on Thursday, as evening approached. There were no victims. The authorities of the Canadian province of Manitoba, having joined the talks, managed to pacify the attackers and they retreated. This occurred in our time—in Winnipeg, where, yesterday, at the aforementioned hotel, the conference of representatives from the "Group of Seven," the IMF, the EBRD, and the World Bank on the "Partnership for Economic Reforms in Ukraine" ended. The Indians were protesting against Canada's allocation of \$25 million in credit to a distant East European country, reminding the authorities (on transparencies) that "the Third World is here at home" and, therefore, the money needs to be spent on Canadian social needs. Georgiy Bovt reports from Winnipeg.**

However, if we ignore the emotional Indians who were not imbued with the importance of the event, it should be stated that this conference, which was honored by the attention of Ukrainian President Leonid Kuchma and the head of Russia's Ministry of Foreign Affairs, Andrey Kozyrev, was of a precedent-setting nature: At it, for the first time, Russia attempted to act really as a, hitherto unwonted, member of a no longer just political but also economic "Big Eight."

In point of fact, this is precisely how Andrey Kozyrev raised the matter in his speech at the conference. He was representing a country which is currently Ukraine's largest creditor and which now, at least by virtue of this circumstance, is interested in the stability and solvency of the

neighboring republic. Incidentally, the decision on Kozyrev's participation was made by the Russian Government at the last minute at the urgent personal request of the Ukrainian president that the level of Russia's representation be increased (in the programs prepared by the organizers, Deputy Finance Minister Andrey Kazmin was mentioned as the head of the Russian delegation). Which turned out for the better: Moscow used both the conference and its own "enhanced representation" quite effectively, "outlining" several key positions right away.

First, its presence as the largest donor (and this is clearly demonstrated by the cited figures) of a country targeted for assistance from the G-7 and the IMF was called upon to fill with specific content Moscow's claim that the G-7 has been converted into the G-8. Second, Moscow played one-upmanship: Having declared in Winnipeg through Kozyrev its readiness to join the Paris Club based on its rights as Ukraine's largest creditor, Russia thereby blocked a priori the adoption by this club and the G-7 of conditions for the restructuring of Ukrainian debts, which would be unfavorable for itself (and this threat really existed until recently). Third, the precedent being established in the instance of Ukraine may serve as a unique "springboard" for transition to the discussion (and again, with Russian participation and within the framework of the Paris Club) of the problems of the debts of the entire third world (there are quite a few of Russia's debtors there and the total amount of their indebtedness comes to more than \$144 billion). Fourth, and this is the main thing, Russia again made it clear that part of the money being allocated by the international financial organizations to help Ukraine, on the whole, has been earmarked by it—as payment for energy sources delivered to Ukraine. In particular, Kozyrev energetically supported the urgent requests (which sounded, at times, like invocations) of the Ukrainian side that \$600 million be granted to it quickly to pay for deliveries of critical imports—in the hope that Ukraine will pay at least something to Moscow from this money. Finally, fifth, the whole series of graphic proofs of the fact that Russia's actual economic assistance to Ukraine exceeds by several orders of magnitude even all the amounts of help promised by the West in the remote future is making Moscow's claim to economic leadership within the CIS quite realistic—including in the eyes of the West itself. Incidentally, they have already managed in Moscow to become imbued with healthy skepticism about the promises of multi-billions in help from the G-7 (it is worth remembering, for example, the "Tokyo Package" of \$43 billion). In this connection Kozyrev quite diplomatically expressed the hope that the package promised this time of help to Ukraine will be more energetically "translated into the plane of practical deeds than happened with Russia."

In this connection, also quite clear are the conditions put forward by the Russian delegation to Ukraine—in fact, in exchange for the deferral of its debts. Both the economic requirements (to make deposits for the obtained credits and to sign the agreement on the USSR's foreign debt under the terms of the "zero version") and the purely political ones (to adhere to the Nuclear Nonproliferation

Treaty)—are all a norm of relations of sovereign states. In principle, Ukraine was reminded in Winnipeg that if it seriously intends to behave like a civilized state, it should play by the rules. And whereas until recently it permitted itself to haggle on a one-to-one basis with Russia on the subject of "exclusive" terms (for example, excessively preferential credits and a preferential price for Russian gas), in the context of relations with the G-8 such haggling has proven to be simply inappropriate. Although, it must be acknowledged honestly: Moscow did warn Kiev—in the course of the talks on a broad-scale agreement on friendship and partnership—that sooner or later the problem of its debts would crop up at the level of the IMF and the Paris Club and then Ukraine would no longer be able to evade them.

As for Leonid Kuchma and his team, in Canada (where they were on a five-day visit) they acted energetically and, at times, even impudently. Whether recalling the lavish reception arranged for the Ukrainian delegation at the recent Madrid session of the IMF or influenced by the Canadians' hospitality (trips to villages of ethnic Ukrainians, receptions with "bread and salt," and people who passed by in the dances in beautiful wide trousers and embroidered shirts—all this made for a good-humored and optimistic mood), Kuchma no longer requested from the G-7 \$4 billion (this much had been promised at the summit in Naples), or \$5.5 billion, as in Madrid, but rather, a whole \$7 billion. The question is, for what? That is, how well founded is the Ukrainian memorandum on economic policy, submitted to the IMF, on the basis of which the first tranche of the STF in the amount of \$371 million had been allocated? And here it is necessary to state that if the Ukrainian plan is compared to the Russian one submitted to the IMF in the spring of 1994 for the same STF, then a double standard exists. Whereas Russia managed with difficulty to convince the fund of the acceptability of 7-9 percent inflation per month—instead of the usually required 5 percent—the Ukrainians' nearly 20 percent in 1995, approved by the fund, looks like a large indulgence. If we talk about stand-by credit (its limit for all IMF countries has been increased this week, as the executive director of the IMF, Michel Camdessus, reported in Winnipeg, to 100 percent of their quotas), the requirements for it are usually even stricter.

This is why if currently someone in the G-7 or the European Union is seriously talking about granting Ukraine money to equalize the balance of payments (\$100 million) already in the fourth quarter of this year, this is nothing but a clearly political preference with respect to a country that has only now announced the first steps in the process of reforming its economy. Camdessus himself in Winnipeg expressed the fear that Ukraine's inquiries about financial assistance from the international community might exceed the actual capabilities of the donor countries at a time when their own budgets are overburdened as it is. But whereas, at the same time, the G-7 can still buy off Ukraine "cheaply"—with reference, for example, to the

indignant deprived Indians, Russia cannot fly to the moon to get away from its neighbor, destabilization of which is dangerous for Russia itself.

[Box No. 1]

Ukrainian Economy on Eve of Transformation (IMF Data)

- GNP in the first half of 1994 declined by 27 percent.
- Actual unemployment is reaching 15 percent.
- Monthly inflation has declined since the end of 1993 from 65 percent to the current 5 percent (with state price controls in place).
- The population's real incomes declined by 60 percent in 1993 and by another 20 percent in 1994.
- The Consumer Price Index amounted to: 1210 in 1992, 4735 in 1993, and the forecast for 1994 is 842.
- The budget deficit (as a percentage of GNP) was: not less than 20 percent in 1992 and 10 percent in 1993; the forecast for 1994 is 9.5 percent.

Basic Provisions of Program Approved by IMF for 1994-1995:

- the drop in the GNP is to be reduced to 5 percent in 1995;
- the rate of inflation is to be lowered to 840 percent in 1994 and to 210 percent in 1995;
- the budget deficit is to be reduced to 3-4 percent of GDP by 1995 (basically through a reduction in social spending and the deferral of payments on state obligations);
- liberalization of prices, unification of the exchange rate, and reduction in the number of export quotas are to be carried out, small-scale privatization is to be accelerated, large-scale privatization is to be started (on the basis of distribution of privatization certificates to the population), and the procedure for registering private enterprises is to be made easier. [End Box]

[Box No. 2]

The IMF and the G-7—To Ukraine

- A decision has been made to allocate SDR [Special Drawing Rights] 249 million (\$371 million) within the framework of the IMF's system transformation credit. The money shall be delivered immediately. The IMF is allocating money to Ukraine for the first time since it became a member in September 1992. Its quota in the fund (equal to the limit of credit extension on its part) is SDR 997.3 (\$1.5 billion).

Bilateral Assistance

- The United States is promising Ukraine \$100 million to balance the republic's balance of payments in the fourth quarter of 1994.
- Canada has decided to grant Ukraine \$25 million in the form of credits (not preferential ones).

In Winnipeg, Leonid Kuchma requested that:

- credits in the amount of \$600 million be allocated quickly to pay for deliveries of critical imports, first and foremost, energy sources;
- the allocation of credits by the EU for the nuclear safety program be accelerated—400 million ECU within the framework of the programs of Euratom and another 100 million ECU within the framework of the EU's TACIS program;
- the sum of \$1.5 billion be granted for the stabilization fund for the new monetary unit—the hryvnya.

According to Kuchma's estimates, in 1994-1995 Ukraine will need no less than \$7 billion in financial help (in Naples the G-7 promised \$4 billion over two years).

In the near future the EU, the IMF, and the G-7 will discuss the FRG's proposal on the allocation to Ukraine from the EU of \$100 million for balancing the balance of payments in the last quarter of 1994 (the vote in the EU will take place on 7 November). France and Great Britain have come out against this decision, since Ukraine still does not have an agreement on stand-by credit (it is expected no sooner than 1995). In connection with this, according to the IMF's rules, Kiev cannot claim the \$100 million. [End Box]

[Box No. 3]

Russia's Assistance to Ukraine Under Conditions of Interdependence (Based on Data of Ministry of Foreign Affairs of Russia)

Interdependence of Economies

- Russia's share in Ukraine's foreign trade turnover amounts to 50 percent.
- Ukraine's share in Russia's commodity turnover with the CIS countries amounts to 40 percent.
- The share of the two countries' mutual deliveries in the basic sectors of industry amounts to 25 percent.
- Ninety-four percent of Russia's gas exports to West Europe goes across Ukraine's territory.

Ukraine's Debts to Russia

- Russia's share in Ukraine's total debt, which amounts to \$4.3 billion, is \$2.7 billion.

—Prior to 1 January 1995 Ukraine, using the procedure for servicing the state debt and payment of interest on it, is supposed to pay Russia \$635 million (payments of \$363.3 million in principal and \$121.8 million in interest on it are already overdue).

—Ukraine's commercial debt to Russia amounts to \$1.9 billion (of which \$1.75 billion is for deliveries of gas by the AO Gazprom); at the same time, the price of Russian gas for Ukraine amounts to \$50 per thousand cubic meters, while the average world price is \$70.

—Ukraine has still not deposited \$10 million in an authorized Russian bank as a deposit for already received state credits.

—In the absence of an agreement between Russian and Ukraine on servicing the former USSR's foreign debt, of which Ukraine's share amounts to 16.32 percent, of the approximately \$2 billion paid over two years for its servicing Russia paid no less than \$320 million for Ukraine. [End Box]

[Box No. 4]

Andrey Kozyrev's Proposals at the Conference in Winnipeg

- Russia is prepared, on certain conditions, to transfer Ukraine's state debt payment and the interest on it from the last quarter of 1994 to 1 February 1995.
- Russia proposed concluding an agreement on restructuring Ukraine's debts, which may save Ukraine up to \$700 million.

Russia's Counter-Conditions and Requirements

- Russia is insisting on the signing of a Russian-Ukrainian agreement on servicing the former USSR's debts under the terms of the "zero version": Kiev is to recognize Moscow's lawful succession with respect to the debts and foreign assets of the USSR.
- Ukraine is to make a deposit in the amount of \$10 million, for credits obtained, in one of the authorized Russian banks.
- Ukraine is to adhere to the Nuclear Nonproliferation Treaty as a nonnuclear power.
- The restructuring of Ukraine's debts is to be carried out in accordance with the conditions and norms of the Paris Club. [End Box]

BELARUS**Foreign Policy Seen Tilting Toward West**

954K1261A Moscow NEZAVISIMAYA GAZETA
in Russian 28 Oct 94 p 3

[Article by Yuras Karmanov: "Minsk Does Not Want To Spoil Relations with Moscow. But It Intends to Take Extra Insurance in the West"]

[FBIS Translated Text] **Belarus**

For understandable reasons, Aleksandr Lukashenko's new policy is dictated by economic expediency, which is now the measure of all the new Cabinet's actions. This is clearly reflected in Belarus's behavior in the international arena. Although it was located in the exact center of Europe, until recently the republic seemed not to notice it. No one but the Ministry of Foreign Affairs seemed to be concerned with Belarus's image in the world, but without implementing any measures which would serve to attract Western investors. Right now the Ministry's efforts are geared to the future. And Belarus's new Foreign Affairs Minister Vladimir Senko is now trying to take advantage of this by actively encouraging potential Western investors to take an economic interest in Belarus. He is a systematic advocate of sovereign Belarus's instituting mutually beneficial political partnership with other countries besides Russia, and is acting under conditions of a program of foreign political priorities that has yet to be mapped out by the Supreme Soviet. Senko has already been linked to a new stage in the development of Belarus's young diplomacy. Clearly, activating the Foreign Ministry's actions toward establishing close economic contacts both with various political centers and with international organizations serves as a certain guarantee of market transformations in Belarus, at the same time enabling Belarus's leaders to maneuver depending on market conditions.

After a successful visit to Bonn, which is usually considered the first major victory in a minister's post, and also a breakthrough in relations with the International Monetary Fund, participation in a Belarusian delegation on a visit to the U.S. is a decisive factor of good planning of steps by participants in negotiations.

When Belarusian Prime Minister Mikhail Chigir spoke during general political discussions at the session of the UN General Assembly he touched upon a number of questions relating to the necessity of accelerating negotiations to sign—this year—a comprehensive nuclear weapons testing ban treaty, the necessity of drafting a treaty on nuclear safety and strategic stability. His placement of the emphasis was due to waning interest in Belarus as a country systematically ridding itself of nuclear weapons. Raising these questions was designed to remind the world community of the absence, in relations with Belarus, of the kinds of problems that occur with Ukraine. Belarus also came out with the initiative to hold an international conference on stable development of zones having a profitable economy in 1996 under UN auspices, and made it clear that Belarus is greatly in need of the

support of donor countries. During visits to the U.S. there was a series of meetings having the character of direct political contact with the American Administration. There was also a working reception with U.S. Vice President Albert Gore. Incidentally, he did not hide the fact that before the republic's elections, and also during the election campaign, America's leadership had misunderstood the situation in Belarus. Now, however, the situation had become clear, and the economic reforms undertaken by Belarus merited approval in America. The Belarusian delegation reasonably pointed out that Belarusian reforms would need support from outside. Delegate members tried to focus their interlocutors' attention on attracting foreign investors into Belarus's economy. That was the main topic of all the talks.

But despite the fact that the talks did not take place at the top levels, and in principle could not give concrete answers to the questions Belarus raised (the official version had it that the White House's top administration was busy with the Near East settlement), the number of meetings attests that while Belarus did not get specific amounts (except for agriculture), it did get promises of support. Mr Senko himself emphasizes, moreover, that "the visit created hefty, vital prerequisites for arranging stable cooperation both with the U.S. and the Western European community." Not only that, but in order to affirm its authority in the eyes of the West and obtain promised credit, Belarus is willing to make the concessions dictated by the International Monetary Fund. The talks definitively removed questions regarding the program of urgent measures to solve Belarus's economic crisis. On the recommendations of the IMF, Belarus agreed to reduce inflation to 1 percent by late 1995, instead of the 4 percent planned earlier, and to reduce the state budget deficit from 5 to 4 percent per month. In order to attract Western investors more effectively, Prime Minister Mikhail Chigir stated, Belarus is even willing to begin working on problems of selling land to private investors. It is entirely predictable that, while recognizing the importance of Belarusian-Russian relations, Belarus is still going to take extra insurance in the West. It is not by chance that the Belarusian delegation's visit to the U.S. took place on the eve of the meeting of the CIS heads of state in Moscow. The situation is very reminiscent of what took place back in September. If Aleksandr Lukashenko hadn't received the delegation from the IMF, which promised quite specific aid, Lukashenko's unsuccessful September visit to Moscow would have left Belarus with absolutely nothing. But, having proclaimed the Eastern vector in his policies, the President still decided to wait a while in hopes that Moscow, mindful of Belarus's oil pipelines and favorable geographic position, would pick up on and even satisfy the aspirations of 80 percent of Belarus's population. This accounted for the unexpected insistence of the debutante Lukashenko at the summit of the heads of state in Moscow. Now he has to know exactly whether Russia is ready to strengthen the CIS, thereby guaranteeing deliveries of oil and gas to freezing Belarus at the preferential prices of the CIS partners. Or, if Belarus lives through the cold winter on

Western credits, it will have to structure its policies without counting on Russia. "What I need now is specifics, and time won't wait," said Lukashenko to reporters as he departed from Moscow. Very soon there is to be a meeting of the two presidents—Lukashenko and Yeltsin—in Minsk. The date of the visit has not been stipulated, but the proposed issues to discuss will be quite precise, as Belarus's leader doesn't like half-tones. Although if Lukashenko gets Yeltsin's "we'll think about it" he's unlikely to escalate conflict with Russia (any alternative to Russian oil is as yet mere speculation). And then, visits to world capitals by foreign policy chief Vladimir Senko will be much more frequent. And Senko's successful moves in the minister's post will give grounds for assuming that

Kozyrev has gained a worthy colleague, whom he might chance to meet, for example, in Baghdad, where Senko just might go, again, to discuss the terms of Belarus's joining the program to build the Baltic-Black Sea pipeline.

Lukashenko himself, in fact, does not rule out such a turn of events. In an interview with Radio France he said, "Your concerns over our relations with Russia are groundless." He would like to cooperate with Russia in the same way as with France, Germany, and Britain: "We have made economic interests the core of our policy. Everything that coincides with these interests, whether with the East or the West, is considered and supported in our country."

ARMENIA

Kurds Protest Arms Smuggling Case

954F0287A Moscow NEZAVISIMAYA GAZETA
in Russian 3 Nov 94 p 3

[Article by Armen Khanbabayan: "Kurds Begin Hunger Strike in Yerevan, Protest Trial of Arms Dealers"]

[FBIS Translated Text] Quite an extraordinary trial has begun in Yerevan. Two citizens of Turkey and eight of Armenia have appeared in court. Seven of the 10 accused are Kurds by nationality (the two citizens of Turkey and five of Armenia).

The story goes as follows. On 7 May these individuals tried to conspire with Armenian border troops to transfer a certain quantity of arms from Armenia to Turkey. But they were arrested and accused of attempting to cross the border illegally, smuggle weapons, and bribe responsible officials in the performance of their duty. On 2 November the accused individuals declared a hunger strike to protest the fact that their actions qualified as criminal, and they are demanding they be granted status as political prisoners. Several representatives of the 4,000-member Kurdish community of Armenia have also joined the hunger strike, protesting the very fact of the trial. The hunger-strikers believe that, in conducting the trial, republic authorities "are expressing support for official Ankara and showing contempt for the national-liberation struggle of the Kurdish people."

It is no secret that the Turkish press regularly accuses Yerevan of supporting the Kurdish Workers Party and its combatants operating in the eastern and southeastern regions of Turkey. The Armenian side refutes such accusations, and it is entirely apparent that it will be impossible in this instance to prove any participation by Armenian officials in the attempts to smuggle weapons, especially since the would-be border violators were arrested by the Armenian National Security Service. It is this circumstance that has evoked resentment within the extremist-oriented segment of Kurds. For example, a certain Azat Polad, member of the Front for the National Liberation of Kurdistan, who presently finds himself, who knows how, in Yerevan, stated that the trial against his brothers-in-arms is nothing other than an attempt on the part of the Armenian authorities to improve relations with Ankara. Polad admitted with astonishment that, in traveling to Armenia, he had hoped to "find support and mutual understanding in the fight against a common traditional enemy, but I have been disappointed to discover that in fact nothing of the kind exists." Clearly the latter circumstance serves as a pretext for attempting to politicize the judicial process that has begun. There can be no doubt, however, but that official Yerevan will never go along with such an attempt. But it might also serve to promote increased tension in the Kurdish community, many of whose members, in their words, are prepared right now to resort to demonstrations, picketing, and other similar acts of protest.

Persecution of GOLOS ARMENII Newspaper Detailed

954F0266A Moscow NOVAYA YEZHEDNEVNAYA
GAZETA in Russian 4 Nov 94 pp 1, 3

[Article by Sergey Babayan, Yerevan: "The Old Testament: Each Creature by Its Ugly Mug? Noah's Ark Landed on Ararat. And Out Came... Journalists. And They Were Slaughtered on the Spot"]

[FBIS Translated Text] *If the pen is compared to the bayonet, shouldn't the wielder of the pen be charged with carrying a knife? This is probably the logic that was followed by Armenia's courts when they decided to institute proceedings against the opposition newspaper GOLOS ARMENII.*

The first attempt came in February and March. Barely half a year later, seven unknown persons broke into the newspaper's premises after hours and trashed the place.

Of course there is a direct link between the first and second incidents. Just as there is a link, by no means random, between the procuracy's warnings to certain newspapers and damage to the latter. It seems to me that if there is a gun on the wall, sooner or later it will be fired. I am not alone in my premonition. Everything's all right, though, because the drama of Armenia's reality is on the ascent.

There is no doubt that the persecution of the newspaper is purely political. Let us cite excerpts from the first document, a statement of claim demanding the cessation of activity by GOLOS ARMENII, signed by Yerevan's Spandaryanskiy Rayon Procurator Georgiy Gulkanyan. In the preamble he names the specific period in which, in his opinion, the newspaper violated the Law on the Press of the Republic of Armenia—November to December 1993 and January of 1994.

"For example, GOLOS ARMENII, No 135 dated 21 December 1993, published G. Agoyan's article titled 'On the Threshold?', which contains insults against the Prime Minister of the Republic of Armenia and even graver insults against the President. The article states: 'Neither has the "Father of the Nation"—President Levon Ter-Petrosyan—changed his sarcastic, condescending-lazy-patronizing manner. Indeed, this persistent sarcasm is truly more fitting to an ambitious, half-ignorant failure than to a top state figure who has long since passed the zenith of his political career.'

"In another instance we read: 'Having the ship of state in the hands of this anti-people clique has brought our people nothing but uncounted misery and suffering.'

"One assumes the author realizes that the expression 'clique' translates as band or gang.

"This instance violates the stipulations of Article 30 of the Republic of Armenia Law 'On the Press and Other Mass Media.' Issue No 139, dated 30 December 1993, has an editorial titled 'Guard Your Virtue'—a New Year's greeting to the people which lists the virtues and difficulties of the Armenian people. 'By their character and style

these people have shown the world that the attitude they have toward our people is about the same as that of a hungry, skinny flea toward a healthy and clean human body: its very few brain cells are programmed solely to suck blood and swell up until it bursts its skin."

"The comparisons and adjectives used here are manifestations of abuse and slander. They violate the stipulations of Article 30 of the Law."

I witnessed an amusing court incident involving that newspaper's publication of a satirical cartoon showing a sheep, and in its curly fleece you can discern the outlines of people. Looking down from a helicopter, someone asks in astonishment, "Is that really our people?"

The procurator saw the cartoon as an insult to the national honor and dignity and a call to disobedience, to mass disorder. Hadn't the artist drawn a sheep in wolf's clothing?

Professor and Doctor of Philology Levon Mkrtchyan relished the procuracy's annoyance at the little farm animal.

"It is, of course, annoying when they compare you to a sheep. It reminds me of Korney Ivanovich Chukovskiy and his little children's poem:

'The sheep, the sheep 'How they beat on the drums...'

"But when it comes to sheep, it is not as cut and dried as Mr Gulkanyan thinks.... After all, when sheep are compared to people in the biblical and literary tradition, it refers to 'piety, meekness, and helplessness.' In the New Testament, Jesus himself says three times to Peter, 'Feed My sheep,' referring to the people.

"Naturally, people—the Armenian people—need kindly and just shepherds. The kind who will not let their people, their sheep perish."

Public opinion reacted joyfully and wrathfully to the court. In every issue, GOLOS ARMENII printed readers' letters supporting the newspaper. The method may not be brilliant and original, but it is effective. The first page was devoted to the trial, self-advertisement and political counterattack. But let us return to the professor's response to the procuracy's attack; the quotation is long but deserves attention.

"Mr Gulkanyan translates 'clique' as gang or band. The first day in court it became clear that the esteemed Gulkanyan (he said so himself) does not know what language the word 'clique' which he is concerned with came from. But we might assume that the esteemed procurator knows French, because it is a French word and means, in French, gang or band. In French—but not in Russian. In the same way as, for example, the word 'cloche' [klyosh] in French means bell as well as bell-glass. In French, that is, but not Russian. In Russian, 'klyosh' is a special skirt pattern or bell-bottom trousers. And 'clique' [klikaj] in Russian is a group of people who will do anything to reach some self-serving goal—for example, a palace clique.

"Hence, it is wrong to say—much less charge—that anyone who says 'clique' means 'gang or band.'

"You can easily verify this in the 'Dictionary of Foreign Words,' the 'Soviet Encyclopedic Dictionary,' or the four-volume 'Dictionary of the Russian Language.'

"These are all modern dictionaries. I also looked into the older, late-nineteenth century 'The Fullest Generally-Accessible Interpreter and Definer of Foreign Words in the Russian Language. With a Detailed, Comprehensive Investigation of the Meaning and Concept of Each Word.' It turned out that in the nineteenth century as well, Russian people did not use 'clique' to mean a gang or band, but merely a party or circle." The official press gleefully egged the procurator on to take resolute action. Some journalists tried to figure out what forces stood behind GOLOS ARMENII. Human rights advocates showed up in the court room, also parliament deputies. There was a smell of political scandal, especially after diplomatic representatives and leading Moscow newspapers showed interest in the case. Things took a serious turn.

And suddenly, the procurator withdrew his suit! I asked him two things: was the suit on the state's orders, and why had he withdrawn it? Georgiy Gulkanyan swore that he was acting on his own, and he explained his capitulation by saying that he felt sorry for the newspapermen and their families who might suffer materially if the court decided to stop the newspaper's publication.

Was that it then, let bygones be bygones? No harm done to the sheep in whose fleece the people grazed? No. One September night seven unknown persons broke into the offices of GOLOS ARMENII and trashed the place. Vitya Sarkisyan, a staffer of the Arina advertising company, fell into their hands and was savagely beaten.

In connection with this, the newspaper announced that it saw a direct link between the attack and its recent published critical articles against high-placed public figures. The editors demanded that the republic procuracy take measures to find the persons who had violated our democratic freedoms, in particular freedom of the press.

Similar demands were directed at General Procurator A. Gevorkyan by several thousand participants in a rally on Theater Square.

The case is under the jurisdiction of the Spandaryanskiy Rayon Procuracy—yes, the one headed by Georgiy Gulkanyan. However, life can be tricky.

The attack on the editorial offices seemed to accomplish its goal—the newspaper's materials reflected nervousness. One article that was published after the trashing had this long and symptomatic headline: "They'll kill you in the doorway...." said a friend of mine recently after one of my articles.

And what stance have the other newspapers taken? Almost all the publications, as well as the Armenian Journalists Union, protested the thuggish action. Only the State Information Agency reacted blithely, almost indifferently, as if

to say "There's no need to exaggerate, nothing was trashed, just the lock was broken...." Not a word about the beating.

Almost at the same time, Gagik Mkrtchyan, a reporter for another newspaper, YERKIR (with a large circulation, incidentally), received a warning from a staffer of the republic Procuracy about violating the Law on the Press. A first approach to the gist of the charge shows that it is groundless. What we have here, then, is a frontal attack against the independent and opposition press. This is not surprising, because parliamentary elections are coming, and in the battle of the parties what the newspapers say will grow enormously.

Armenia's independent press is in a tough situation, there's no newsprint, and even when there is the price is fabulously costly (a dollar per kilogram), taxes are oppressive, and—possibly the worst of all—there is a covert and overt information blockade of these publications. Editorial boards and information agencies are sent off either to the sectorial press centers or to Armenpress, the official information agency. This centralization makes it possible to keep a tight grip on news and fresh facts, so that the authorities can directly or indirectly dictate commentaries favorable to them. Top state officials categorically refuse interviews to journalists unless they purvey the official line. It has been noted that President Ter-Petrosyan himself will not deal with journalists from the independent and opposition publications, preferring his own and... Western or overseas publications. By shutting off the oxygen, governmental structures are objectively fostering the spread of unverified information and conjecture in newspapers and magazines. The lack of glasnost is fertile soil for rumors.

There is much tension in relations between the authorities and the press. Neither marriage nor divorce. No one is in jail, and only one person has been killed—the editor of STRANA NAIRI, and even that, it said, was a domestic dispute....

But is active persecution of certain "activists of the pen" possible? Oh yes. Wait till spring, the campaign battles, when the scratching of free pens will ring like the clashing of swords.

P. S. During the time the Yerevan Fax was unable to contact our editors, events took place in Armenia which partly validated our prediction. The newspapermen can already feel the hot breath of the election campaign battles on their neck.

A few days ago, unknown persons late at night tried to set fire to the editorial offices of AZG (meaning "Nation"). A stone that was carefully wrapped in rags soaked in an inflammable liquid crashed through a toilet window instead of into the computer center, which was obviously what the criminals were aiming at; it is located a couple of meters away from the point of impact. Editor in chief Akop Avatikyan talked with us about it and emphasized that the attack was part of long-range plans designed to destabilize the party's press organ.

A different opinion is held by Aydyn Morikyan, the editor in chief of the Supreme Soviet's official newspaper RES-PUBLIKA ARMENIYA, who called the terror against journalists, and the attack on the editorial offices, "petty hooliganism."

The authorities used to respond to political terror with modest silence. But then suddenly, thunder roared and lightning flashed on the official horizon: on the night of 20 October, in the doorway to his own home, unknown persons beat up Armenian Television commentator and former presidential press secretary Aram Abramyan (who, incidentally, spent some time writing story plots for a Russian TV channel). He was returning from a talk show on which he interviewed a parliament deputy live on the air. The journalist was beaten with iron clubs, suffered a brain concussion and was put in the hospital. That same night he was visited by the Minister of Internal Affairs and the coordinator of the republic's enforcement structures. The next morning, this victim of hooligans was visited by Ter-Petrosyan himself.

What's going on? Is it that there are journalists and then there are journalists? And how to explain this selective compassion? Local observers have come to a simple conclusion: they sound the alarm when their own get beaten up.

Incidentally, literally a few hours before the beating of the TV journalist, in another city—Leninakan—the chairman of the city Soviet and his aides savagely beat up four deputies of the national parliament, including two chairmen of standing parliamentary commissions. One independent newspaper which holds moderate positions linked the two incidents this way: "...As we know, Levon Ter-Petrosyan visited Aram Abramyan in the hospital, but for some reason he didn't think of expressing sympathy to the deputies..."

By the way, a majority in the Armenian Supreme Soviet Presidium voted no confidence in Leninakan's mayor, but the speaker of the Parliament abstained... which is also a position, a very eloquent one.

It used to be that they shot and killed people they didn't like in the streets of Yerevan. Now, thank God, they only beat them up. But newspaper men? Deputies? And it's still half a year until elections. If it goes on this way, the Biblical mountain will gasp.

Mass Migration from Armenia Viewed

954K0272A Moscow ROSSIYA in Russian
No 41, 26 Oct 94-1 Nov 94 p 5

[Article by Emmanuil Mkrtchyan, Yerevan: "The Blood-letting"]

[FBIS Translated Text] Around half a million persons have left Armenia over the last 2 years. Many have left, perhaps, forever, having sold off property acquired over many years. The stream of migrants, as a rule, increases toward the end of the summer or fall, because the next terrible winter is at hand. The more well-off persons head for the

Russian capital and St. Petersburg and the less well-off find refuge in Russia's south—in Krasnodar, Stavropol and Rostov-on-Don.

The specialists look at the problem of mass migration from the republic differently. Some are sounding the alarm, rightly figuring that Armenian society, in the emigrants, is losing its best representatives. Others, including people in the power structures, see nothing bad in this process. Armenia is unable to feed everyone and, therefore, it is not worthwhile to put obstacles in the way of the natural exodus of the population, so they believe, having adopted the principle of "fewer people—more oxygen." It is very unfortunate, but this principle is proving itself in Armenia, since the demographic and social situations in the republic are extremely tense. Currently, the number of unemployed persons in it is around 200,000, there are just as many refugees and around half of the population has been pushed below the poverty line. So far, the problem of housing for the tens of thousands of people who are leading a miserable existence in hovels and broken-down railroad cars in the area of the Spitak earthquake has not been solved. Armenian society is successfully applying to itself the medically tested method of bloodletting when there is high blood pressure.

Of course, the main stream of those leaving is made up of Armenians. Representatives of other nationalities and ethnic groups which had the opportunity to leave the blockaded republic have already done so. Quite a few Germans, Greeks, Jews, Ukrainians and Russians have left. But, despite this, the lines to obtain Russian citizenship in the Russian Federation Embassy in Armenia or exit visas in the consular sections of the U.S. Embassy, the German Embassy and those of other European countries are not growing shorter. And, whereas the Russian diplomats do what they can to satisfy the petitions of the citizens, the Western countries are displaying an obvious reluctance to "admit" desperate people, even when it is a matter of the basic right of family reunification.

In the old days, Armenia welcomed repatriates, gave them the opportunity to obtain an education in their accustomed language environment and thereby created favorable conditions for adaptation. Both Armenian and Russian schools existed in Armenia on an equal basis. There were many schools with English and French biases. With the gaining of independence, not only did the social structure of society begin to change in Armenia, but so did the language structure of society. And, if you do not count those young people who went north in pursuit of the ruble, the Russian-speaking part of the intelligentsia, unable to adapt to the new situation, is forsaking Armenia. As the sociologists' surveys have indicated, there are two reasons which are urging on the process of the migration of the Russian-speaking population from Armenia. They are the absence of conditions for work and the impossibility of obtaining a good education. And, while it is impossible to combat the first factor, since it is currently quite objective, the second one is frequently being called in Armenia the

"Baltic Syndrome," referring to the purposeful policy of closing Russian-language educational institutions.

The symptoms of the anti-Russian hysteria, partially identifiable with the anti-communist wave, subsided in Armenia back in 1990-1991. However, in the highest echelons of power, covert steps are still being undertaken, which are aimed at the complete "removal from education" of the Russian language. In this plan, it is especially necessary to note the activities of the recently established State Language Inspectorate, headed by the former specialist on communist education of youth and currently parliamentary deputy and activist of the ruling AOD (Armenian Pan-national Movement), Valeriy Mirzoyan, well-known in the republic as a champion of the "purity of the nation." The inspectorate's workers are calling on organizations, institutions and Russian-language newspapers with the demand—not a line in Russian. And they are threatening to apply sanctions in the event of noncompliance.

Understanding excellently Armenia's geopolitical position, these people prefer to give orders under the stamp "For Official Use," in the form of instructional letters and circulars. One such document recently became known to the public. The Union of National [ethnic] Communities Living in Armenia of Kurds, Germans, Ukrainians, Greeks and Jews, as well as the Garmoniya [harmony] International Center for Russian Culture and the Rossiya [Russia] Society sent an appeal to the republic's leadership, demanding that measures be taken against the illegal actions of the commission of Armenia's highest legislative organ with respect to science, language and culture. Thus, despite the existence in the republic of the Law on Language, which grants broad rights of choice and meets all international norms, the parliamentary commission prepared a document, in which the rights of minorities in the matter of the choice of the language of education are substantially restricted. The commission gave strict instructions that, for children from mixed marriages, as well as for children who were not ethnic Russians, admittance to Russian schools was forbidden. Any child who had grown up outside an Armenian environment, as noted in the instructional letter, is supposed to go only to an Armenian school. In the opinion of the representatives of the national communities, if the state is unable to provide for the establishment of national schools for each individual nationality, then it should grant the right of freedom of choice of the language of instruction.

It is hard to say whether Armenia's leadership will react to the demands of the national minorities or will prefer, as is often the case, to remain silent. In any event, what occurred with the Law on Language is no accident, since many top-level officials give themselves the right to comment on and to interpret the laws as they see fit. Hence, the legal chaos, the failures in the economy and the extremes in language and cultural policies. Hence, as well, the lack of social guarantees and stability. As a result, according to the Armenian sociologists' data, there are around a million potential migrants in Armenia. Every fourth person, if the opportunities to do so were available, would leave the republic without a moment's hesitation.

Gyumri Reelects City Council Chairman

954K0282A Yerevan RESPUBLIKA ARMENIYA
in Russian 4 Nov 94 p 1

[Unattributed report: "Vardanyan Again"]

[FBIS Translated Text] ARMENPRESS reports there was just one item on the agenda of the session of the Gyumri City Council of People's Deputies—the election of a chairman of the city council. On 2 November, following a number of votes, Misha Oganessovich Vardanyan was reelected chairman of the city council by an overwhelming majority of the votes (76).

World Bank To Fund Energy System Program

954K0282B Yerevan RESPUBLIKA ARMENIYA
in Russian 4 Nov 94 p 1

[Unattributed report: "Negotiations Completed: The Energy System of the Republic of Armenia Is in Need of Immediate Financing"]

[FBIS Translated Text] "Current Operation and Maintenance of Armenia's Electric Power Facilities" is the name of an agreement that will be concluded between the Armenian Government and the World Bank. Working negotiations in this connection were concluded recently in Washington. The negotiations were conducted on the Armenian side by Karen Galstyan, Armenian deputy minister of power and fuel, who is chairman of the commission, of which representatives of the ministries of finance and economics and the Armenergo state concern are members.

The agreement in its preliminary version has been prepared and handed to the Armenian Government. K. Galstyan told an ARMENPRESS correspondent. Following final discussion, it will be dispatched to the board of the World Bank. We hope that this matter will be decided positively and that American credit of \$14 million, which, incidentally, will be granted for a long period—35 years—at low interest (0.75 percent), will be formalized even this year.

I would like, in particular, to emphasize the benevolent atmosphere created in respect to Armenia, the deputy minister said, which ensured favorable conditions for our work. This benevolence is the result of the economic reforms that are being implemented in Armenia and the productive work of the republic government with the World Bank. After all this, it remained for us to decide, in fact, mainly technical and current questions connected with the program.

At the first stage of the program, in respect to which the government is also performing work, it is contemplated carrying out repair and restoration work at one unit of the heat and electric power plant of Yerevan and two units of the state regional electric station of Razdan. In addition, the hydropower stations of the Sevan-Razdan and Vorotan cascades and also the distribution systems will undergo partial repairs. The modernization of the control complex of Armenia's power system and installation of the so-called Scud system, which is known as a first-class system

throughout the world, are planned also. It will at this stage be designed, and subsequently, introduced. This work will serve as the basis for credit of \$35 million for realization of the second stage of the program.

Karabakh To Take First Privatization Steps

954K0282C Yerevan RESPUBLIKA ARMENIYA
in Russian 4 Nov 94 p 1

[Unattributed report: "Nagorno-Karabakh Republic on the Way Toward Privatization"]

[FBIS Translated Text] In accordance with the 1995 Nagorno-Karabakh Republic program of socioeconomic development the first steps have been taken in the republic for privatization, which will begin with the denationalization of a number of facilities of trade and services following the creation of the legal field and the corresponding mechanisms. As a MUNK IATs correspondent was told in the Department of Economics of the republic Council of Ministers, government control of the price of flour, which it is planned to gradually release in the latter half, will be preserved for the first six months. In connection with the release of prices here compensation is planned for needy families. The population will be supplied with rice, butter, sugar, macaroni products, and stoves in a centralized fashion, for the purchases of which the practice of the government commission will continue. As the Council of Ministers added, the centralized government commission for basic necessities will gradually shift to the private sector. According to economists' forecasts, retail commodity turnover next year will grow 30 percent, and services for which a charge is made, 25 percent. It is planned in the latter half of the year freeing the prices of transport, communications, and municipal services.

Kurd Statements on Arms Smuggling Trial Scored

954K02784 Yerevan RESPUBLIKA ARMENIYA
in Russian 3 Nov 94 p 1

[Unattributed commentary: "Armenia Will Not Be Drawn Into Kurds' Conflict With Turkey"]

[FBIS Translated Text] That the opposition keeps clamoring that the judiciary in Armenia is under the thumb of the executive branch is quite natural. When such a statement is made, however, by a political figure of another state, it becomes interesting.

This is what happened. In the beginning of 1994 two Kurdish Workers Party (RKK) commandos together with a group of compatriots—citizens of Armenia, and with the aid of three Armenians—residents of Yerevan, attempted to move over the Armenian-Turkish border a consignment of arms to replenish the arsenal of armed formations of Kurdish volunteer army, who continue the national liberation struggle. They have not succeeded in bribing border guards, however, and on 7 May the smugglers were detained by the State National Security Administration [GUNB] staff. On this basis, competent organs initiated a criminal case. In the latter part of October the case was sent to the Supreme Court for review. It was dissatisfaction

over the course of the trial, which began several days ago, that brought Azid Polad of the Kurdish Liberation Front to Yerevan. At the press conference held yesterday he confidently made a number of statements—the validity of which is questionable, to put it mildly.

Mr. Polad maintains that the Armenian court was tasked by the government to convict his compatriots on the charge of committing a criminal offense, while in reality the accused's actions are nothing but political struggle for the sake of liberating their motherland.

One can, of course, understand the desire of Kurdish patriots to put pressure on the court through public statements, mass actions, and hunger strikes (the 10 accused resorted to this extreme measure, joined in it by several representatives of Kurdish organizations in Armenia). If one so inclined, one can also explain the desire to draw Armenia into the conflict, which, by the way, Mr. Polad does not hide, admitting that it would be highly desirable for "Armenia and Kurdistan to form a single fist against the common enemy." What is hard to understand is precisely what Mr. Polad believes to be the grounds for contentions that the current Armenian authorities are conducting a policy aimed at "appeasement of Turkish interests." Might it be perhaps the Armenian "traditional liking" of the southern neighbor or the latter's reciprocal "love" for us, expressed in the form of a communications blockade?

We are curious as to how, in the opinion of Kurdish patriots, Armenian competent organs should have reacted to the information regarding an attempt to ship arms across the state border. Is the smugglers' affiliation with the RKK sufficient ground to let them go free? The laws of our country, the same as the laws of the state from which Mr. Polad arrived (by the way, why is the GUNB not interested in the purpose of his visit?) envisage severe punishment for arms smuggling. And do the people in the RKK realize that their action, had it been interdicted by the Turkish security service instead of ours, would be very successfully used by Ankara in the propaganda war with Yerevan? And do they in the RKK give any thought to the political damage they inflict on Armenia by their attempts to draw it into their conflict with Turkey?

Central Bank Plans Licensing System

954K0278B Yerevan RESPUBLIKA ARMENIYA
in Russian 3 Nov 94 p 1

[Unattributed report: "Requirements Tightened"]

[FBIS Translated Text] The Central Bank of Armenia plans to introduce to commercial banks a new system of licensing, the right to conduct foreign currency operations. This statement was made to a SNARK correspondent by Arutyun Mesropyan, chief of the international and foreign currency operations administration of the Republic of Armenia Central Bank.

He said that the new licensing system would tighten requirements for banks to meet financial banking standards, as well as increase the requirements for bank personnel with respect to possession of foreign currency-banking technical skills.

It is envisaged introducing a domestic license, which will convey the right to conduct important foreign currency operations only on the territory of Armenia, and a general license to conduct operations both in the republic and outside it.

One of the main requirements that will be given priority in license issuance is the banks' compliance with the norms of open foreign currency position.

There are currently more than 60 banks functioning in Armenia that have the right to conduct foreign currency operations. According to Mr. Mesropyan, in the beginning the banks that do not yet have a foreign currency license can only apply for a domestic license. After a certain period of time, the banks that have been granted a domestic license will be eligible to apply for a general license.

Search for Avakyan Accomplices Urged

954K0278C Yerevan RESPUBLIKA ARMENIYA
in Russian 3 Nov 94 p 1

[Abridged reprint of Kh. Aleksandaryan's article in GICHAK AYASTANI, 1994: "A Crime Against the State or a 'Prisoner of Conscience?' It Is Time To Bring Charges Against the Rest, Too"]

[FBIS Translated Text] On 21-22 October LRAIR published "Vagan Avakyan's last word at the trial," in the apparent belief that this will finally convince the reader of the accused's innocence, as well as the court's obedience to the "will" of the authorities—as the opposition circles cynically and with impunity write and claim. A person who will read attentively this "last word," however, not only will see clearly that the arrest of V. Avakyan's wife in the airport and his own conviction prevented a grave crime against the state, but also will understand one simple thing: The whole hoopla is nothing more than an attempt to cover up A. Manucharyan's participation in it.

V. Avakyan admits that the ill-fated diskettes he attempted to transport abroad with the aid of his wife "contained secret information"—so secret that "permission to read it could come only from the president (of the republic)." So secret that when his wife was arrested in the airport and the diskettes confiscated, in less than one hour (the bad news obviously traveled from Armenia to faraway Bulgaria with a lightning speed!) he called from Sofia to the president's chief of staff and... warned him to maintain strict secrecy.

The question that comes to mind is why, for what reason did V. Avakyan remove from the state agency and hide at home diskettes containing state secrets. How does V. Avakyan justify this essential precursor of an espionage attempt?

In trying to justify his actions V. Avakyan, by the way, admits his own intent to commit a crime against the state. He says that after the resignation of the "persecuted" Manucharyan, when by the president's edict the process of reorganizing the State National Security Administration [GUNB] began, he asked the president on several occasions for the sake of saving the state adviser's apparat from collapse... to liquidate it entirely. The president did not respond to these pleas. So then V. Avakyan, seeing that the apparat left intact began to get corrupted, brought these diskettes home on the eve of his working trip to Moscow on 27 January...

Let us ask once again: Why, for what purpose?

V. Avakyan admits that before leaving for the trip he knew very well that a well-known press conference by A. Manucharyan was to take place within the next few days and that it would be perceived as the beginning of a "holy war." Subsequently, this would be followed by a retaliatory step on the part of the authorities—reorganization of the state adviser's apparat (which, after Manucharyan's resignation, was headed by his old friend and deputy V. Avakyan). In other words, his quite possible departure from this post. "This, and only this was the sole reason I brought the diskettes home," V. Avakyan says to justify his action. Some justification!

Naturally, V. Avakyan did not say that he took these diskettes with Manucharyan's knowledge in order to use them, together with the latter, in the "war" against the authorities (or perhaps with the intent of handing them over to some other state in the hope for asylum or hard cash). Facts, however, speak for themselves. Naturally, neither Avakyan nor Manucharyan would fly to Moscow with these diskettes in his pocket. After the well-known press conference, however, when Manucharyan flew with evil intentions to Moscow and contacted V. Avakyan, the latter found it necessary to send his wife and child to Moscow—together with the diskettes, of course. ("I could not rule out a direct persecution of me and members of my family," says V. Avakyan in his "defense.")

From 27 January, when V. Avakyan flew to Moscow, to 15 February—the day of the failed attempt to deliver diskettes to Moscow with the aid of his wife (and some undefined time before then) these diskettes, which contained state secrets, were kept in his home—and this is considering that "literally a month earlier the apartment across the stair landing had been burglarized." Or was V. Avakyan not afraid that state secrets would end up in the hands of mafiosi elements during some "robbery attempt?" He maintains that he was aware of such a possibility, but "considered such an attack less likely than the destruction of the apparat"—that is, transfer of these diskettes from his personal possession under the control... of the state.

V. Avakyan laments that the "question of safekeeping the diskettes came up unexpectedly" for him. He could not leave them with his parents—"old people." This left his wife. And when after Manucharyan's "temporary escape"

to Moscow (and undoubtedly corresponding contacts and consultations with V. Avakyan in Moscow and Sofia) the need arose to have these diskettes on hand, Avakyan decided that his wife should "take the contents of my briefcase with her and not let go of the purse in which she was to carry it."

"This decision was justified by the guarantee," says V. Avakyan, "that S. Salazaryan was to see my wife all the way to the aircraft in Yerevan, and in Moscow I would be able to meet her right at the aircraft ladder—the same way I met Ashot Manucharyan several days earlier—and, with my diplomatic passport, I could consider the diskettes to be absolutely safe..."

Can you imagine: State secrets are being taken out of the republic—simply stolen by political criminals who either had resigned or had been fired from their jobs, and all this is considered "absolute safety!"

What if, for instance, the Central Bank chairman resigns or is fired—is he, too, supposed to take with him the entire gold and foreign currency reserves of the republic in order to ensure their "absolute safety?"

What logic! What justification!

Let us sum up. Vagan Avakyan committed an extremely grave crime against the state—a criminal offense, and got the punishment he deserved, or perhaps even got off lightly.

Where are his accomplices, though?

AZERBAIJAN

SOCAR President on Oil Contract Benefits

954K01811 Baku AZERBAYDZHAN in Russian
22 Oct 94 pp 1-2

[Interview with Academician Natiq Aliyev, president of the Azerbaijan State Oil Company [SOCAR], by Ziya Buniat-Zade, winner of the Azerbaijan State Prize, doctor of geological and mineralogical sciences, and head of the Institute of Geology laboratory in the Azerbaijan Academy of Sciences: "The '1+10 Agreement' Has Been Signed! What Next?"]

[FBIS Translated Text] This is the second exclusive conversation for readers of the AZERBAYDZHAN newspaper which Ziya Buniat-Zade, winner of the Azerbaijan State Prize, doctor of geological and mineralogical sciences, and head of the Institute of Geology laboratory in the Azerbaijan Academy of Sciences, has had with Academician Natiq Aliyev, president of SOCAR.

The first conversation, on the topic "The Future of Azerbaijan's Oil and Gas Complex: The Problems and Ways of Resolving Them," was held after N. Aliyev's "100 days as president" of SOCAR and was published in issue No. 133 of the newspaper on 25 November 1993.

[Buniat-Zade] You will recall that during our first discussion I emphasized that "as president of SOCAR, you will

have to lead the preparations for the final versions of the contracts with foreign companies." A year of intensive work has been conducted, and it has been successful, as they say: on the instructions of G.A. Aliyev, president of the republic, you signed for the Azerbaijan side the truly historic "Agreement on Joint Development and Shared Division of the Oil Extracted from the 'Azeri' and 'Chyrag' Deposits and the Deep-Water Part of the 'Gyunesli' Deposits in the Azerbaijan Sector of the Caspian Sea" on 20 September 1994 with a consortium of 10 foreign oil companies.

The fact that the agreement was the occasion for the leaders of major Western countries to congratulate the president of our republic is the most graphic demonstration of the vast importance of this agreement.

For this reason, I would like to start by asking you to dwell on what in your view are the basic "three facets" of the agreement for the people of our republic: its economic, political, and social significance.

[Aliyev] I can spend hours talking about the importance of the contract from the standpoint of these three aspects, but in my view, there is no question that the economics of the contract predetermines all the rest, since its political significance is the very fact that it was signed and its social importance may be assessed as the sum total of benefits which the contract's economic effectiveness can bring.

In regard to the economics of the project, I want to make the reservation that all the figures which I will cite now and afterward are estimates and are based on our current knowledge of the deposits, oil prices, and manpower, including financial and commercial matters, inflationary processes, and so forth.

This is the question: what do we have and what will be received? In the contracted area, we have 511 million metric tons of extractable oil reserves, but they are still concealed from us by a mass of sea water in a part of the capricious Caspian that is difficult to reach, at depths of 150 to 350 and 400 meters and in mineral resources at a depth of 3,500 to 4,500 meters. In order to turn all this into a "thing in itself," as Kant said, we must spend about 7.5 billion dollars in capital investments in the first years of the project and on the order of \$14 billion in operating expenditures throughout the 30-year period of development. Taking into account the economic and financial situation that has taken shape in the republic, we cannot rely on our own resources, not to mention the fact that in this case, we would have to spend not only our own financial assets, but postpone the beginning of full-scale development of these deposits in conformity with international practice for extraction from deep-water deposits.

Now—what we can receive economically.

The economic model for the contract was put together in such a way that Azerbaijan, under the condition of a 20-percent shared participation in the capital investments, should receive 80 percent of the profitable oil, which

amounts to 253 million metric tons. The foreign companies, which contributed 80 percent of all the investments, will receive 20 percent of the profitable oil, or on the order of 65 million metric tons. The rest of the oil will go toward recovery of the capital expenditures, outlays for financing, and transport expenditures to deliver the oil to the world market. It should be kept in mind at the same time the recovery of capital expenditures is the cost, or value, of that fixed capital and those assets which will be created by us in the republic, that is, the plants, platforms, shore terminals, pipelines, and so forth which will be the state's property.

If we are talking about the project's economics in monetary terms, the overall gross income from the oil, in accordance with the calculations, should amount to on the order of \$157.6 billion in the currency of the day (that is, taking the inflationary processes over 30 years into account); of this amount about \$81.7 billion will be Azerbaijan's share, \$19.5 billion will go to the foreign companies, and the remainder will cover the capital, operating, financial, and transport expenses. At the same time, the income received by Azerbaijan in the form of 55 billion cubic meters of casinghead gas (which is equivalent to an additional 50 million metric tons of oil), as well as nearly 90 billion cubic meters of the reserves of free gas, will be acquired only if the republic adopts the decision to develop them to meet its requirements for natural gas.

At the same time, I would like to point out that the economic model for the project was made so that under favorable conditions (reduction of capital, operating, and financial outlays and transportation expenditures, lower prices for materials, equipment, raw material, and services and higher world prices for oil and gas) the effectiveness of the project for Azerbaijan will be higher, especially if more oil turns out to be in the deposits than we now assume.

On the other hand, the economic importance of this contract lies in the following most important conditions:

- in the process of realizing the contract, an export pipeline will be built and Azerbaijan's oil will go out to the world market, which will make it possible to develop other deposits under more favorable economic conditions;
- Azerbaijan's credit standing will be enhanced in the international financial institutions;
- the contract will provide for and attract a wave of broad investment processes into related sectors and infrastructure, and as world practice shows, the volume of such capital investments often substantially increases the volume of the basic contract;
- the process of Azerbaijan's inclusion and integration into the world economic community and the world market will be accelerated and its market relationships, competition, and the demands for commodity and product quality will be intensified; and
- the level of the equipment and technology used will be raised, and there will be fundamental renovation and

modernization of the basic priority sectors of the republic's economy, clearly oriented toward the production of competitive export products.

[Buniat-Zade] The oil agreement is also noteworthy for being perhaps the first major project which has been unanimously supported by the authorities and the opposition, that is, practically everyone in the Republic of Azerbaijan without exception.

Now, when the agreement has been signed and you know all the details of the "June-93" Project and you have headed the SOCAR group preparing the "1+10 agreement" for over a year, I would like you to share with our readers the most important distinctions. I am certain you have something to say to dot all the i's in this most topical issue of the day.

[Aliyev] It is impossible to give a short answer to this question, but I will note the principle basic features.

We can actually speak about only two previous versions of the contract, and I should point out right away that they were prepared "on the outside," presented to the State Oil Company for consideration, and rejected as not meeting the republic's interests. And only the last contract which was signed is the joint result of SOCAR negotiations with the foreign oil companies (INK).

First of all, the basic shortcoming—either deliberate or unintentional—of the previous contracts was the fact that estimation of the project's effectiveness was based on a cost approach and orientation toward monetary indicators, which significantly distorts the true picture in such capital-intensive, long-term projects, since the cost indicators are substantially influenced by inflation and the prices for oil, equipment, raw material, materials, and so forth. For this reason, the correlation between the profit and the money, even if Azerbaijan's share is 80 percent and 20 percent is the share of the foreign oil companies, does not attest to its effectiveness for the republic, since the time factor plays a major role here, that is, when which side receives this money. As an example, if the foreign oil companies were to receive this 20 percent of all profit in the first years and Azerbaijan were to receive its profit in subsequent years, the real value of that 20 percent would be a little less than 80 percent of the gross acquired during the development period.

Moving a few steps ahead, I want to note that the income from casinghead gas and the extraction of natural gas were included in Azerbaijan's incomes in the previous projects, although all expenses and the profit norm for the capital invested are compensated by the oil.

For this reason, of the two approaches in evaluating the contracts—how much money or how much oil will be acquired for the state—the latter is the most correct. On this basis, an analysis was made of the preceding versions (of June 1993 and November 1993) which showed that in the conversion to oil, Azerbaijan's share in profitable oil in the June version was 62.7 percent and 53.42 percent in the November version. But the most important factor was that

the economic model provided for distribution of the profitable oil in such a way that most of it went to the foreign oil companies. Thus, in the latter version, of the 98 million metric tons of oil extracted over the first 10 years, Azerbaijan was left with only 16 million metric tons, or 39 percent of the profitable oil.

By these and other calculation details (such as, for example, the volume and dynamics of capital and operating expenditures and the expenditures for financing), the companies tried to obtain conditions more favorable for themselves, and when the contract is realized, significantly greater advantages than incorporated in the calculations as well.

[Buniat-Zade] It is clear to any unbiased reader that the negotiations by SOCAR representatives and the consortium of oil companies were difficult, to put it mildly, for the difference in interests led each side to extend their hands to each other and meet each other halfway. The fact that the last meeting in Houston, where you headed the SOCAR delegation, also attests to the unusual situation: instead of the 3 weeks that had been planned, the session lasted almost a month and a half. There were even rumors in Baku that you "had a heart attack."

It seems to me that it is precisely such a situation, tense at times, which explains the fact that at the beginning of your SOCAR presidency, you were speaking about the "duet of deposits" ("Azeri" and "Chyrag"), but at the end of the negotiations you returned to the trio, although a truncated one (the deep-water part of the "Gyuneshli" deposits).

Could you "illuminate" this moment, which led to many rumors, chiefly among the oil specialists?

[Aliyev] Our talks in Houston really did take more time than we had planned, but this was because during the process of work on articles in the contract we literally had to fight for each preposition, each word, with a specific economic or legal meaning which could have a significant effect on Azerbaijan's interests as a whole.

As far as my illness in Houston is concerned, the rumors about it were exaggerated. My blood pressure was elevated once, but it dropped right away to normal level after medicine was taken. However, our colleagues from the Amoco company, feeling that I was their guest and that they bore full responsibility for my health insisted that I be examined by a physician. A thorough examination showed that I was completely healthy and there were no reasons for concern.

Now, I would like to answer the question about inclusion of the deep-water part of the "Gyuneshli" deposit in the contract. As you know, we have worked for a long time on the economic model of the contract for "Azeri" and "Chyrag" and checked all possible versions for improvement or worsening of the numerous factors or initial data which could have an effect on the economic effectiveness of the contract. They included the volume and dynamics of capital and operating expenses, the amount of the bonus, the model of the contract with or without taxes, the price

level for oil, transportation expenses, the effect of the need to form a liquidation fund, and so forth. When all the commercial proposals for the "Chyrag" and "Azeri" deposits were exhausted at the negotiations in Istanbul, we attempted to resolve the problem of further increasing the project's economic effectiveness. As our calculations for the models showed, the best factor for a substantial increase in the project's effectiveness, and to a much greater extent for Azerbaijan than the foreign companies, was an increase in the reserves under the contract by 50 million metric tons. For this reason, taking into account that the deep-water part of the "Gyunesli" deposit lies at a depth of over 200 meters and developing it with our own resources practically involves insurmountable difficulties, it was considered advisable and advantageous to join it with the "Azeri" and "Chyrag" deposits.

I want to cite a few figures to substantiate what has been said. Within the framework of the "Azeri" and "Chyrag" deposits, whose reserves are estimated at 454 million metric tons, 210 million metric tons were obtained for Azerbaijan in the form of profitable oil, and this made up 75 percent of all profitable oil under the contract. The addition of 50 million metric tons from the deep-water part of the "Gyunesli" deposit enables Azerbaijan to increase its share of the profitable oil by 43 million metric tons and raise it to 253 million metric tons, which is 80 percent of all profitable oil under the contract. Other most important economic indicators are substantially increased as well in this case, such as Azerbaijan's share in the total volume of oil extracted, the volume of oil for Azerbaijan in the first 15 years of the project (from 106 to 128 million metric tons), Azerbaijan's share in the gross income, and so forth.

[Buniat-Zade] It seems to us that the signing of the "1+10" agreement is like a starter's pistol being cocked. Its ratification in our NS [National Assembly] and approval by the boards of directors of each company in the consortium, which we hope will take place in the very near future, will have the effect of releasing the trigger, after which the realization of what has been planned will begin. So today we have taken only the first big step along a 30-year path, at the end of which, we hope, Azerbaijan will become one of the rich and civilized countries of the world and will deserve to be called "the miracle of the 21st century."

You know better than we that this path is not "strewn with roses..."

[Aliyev] The 3 years of negotiations with the leading oil companies of the world has been an important school for SOCAR, and I have no doubt that many specialists have acquired invaluable experience in conducting negotiations and preparing a contract.

I do not wish to detract from the services of those who worked throughout these 3 years on preparation of the contract, but in looking at the past and analyzing the path we took, I cannot help but note that it was precisely the lack of experience, the excessive interest in technical and

technological problems, and the clearly inadequate attention to financial, commercial, economic, and legal factors which became the cause of many errors during the early stages of the negotiations.

As far as realization of the contract is concerned, I want to point out first of all that the contract is a complicated legal document which regulates the relationships between foreign companies and the State Oil Company, the responsibilities of the sides, and the procedure and requirements for conducting oil and gas operations, and most importantly—the economic relationships of the sides. For this reason, it is important right after ratification to form a special structural unit in the State Oil Company for realization of the contract and control over adherence to its provisions and articles. There is a great deal of work over a period of many years, and we should be prepared, practical, and organized for it.

[Buniat-Zade] I would like you to explain in simple terms, without organizing a "likbez" [campaign to eliminate illiteracy] for our nonspecialist readers on the full range of terminology we have been using in recent years, the meaning of the relatively new concepts of "bonus," "production sharing," and "force majeure" which are being used quite often, particularly in connection with the agreement signed.

[Aliyev] Let us begin with the term "production sharing," since it reflects the substance of the contract itself, or more precisely, the basis of the fundamentals. In the simplest sense of this word it means "shared distribution of output" and it regulates the economic relationships of the sides. Inasmuch as investment projects in the sphere of mineral resource use, and in particular, in developing oil deposits, are some of the most long-term and capital-intensive projects, it is precisely this type of contractual-legal relationship which is preferred and widely used throughout the world in view of the simplicity of mutual settlements between the sides, as well as the opportunities for greater protection of the natural resource owner's interests and the provision for reliable control by the state over the course of the project's realization.

Economic settlements between the sides are built on a simple foundation (See the diagram). A specific part of the total volume of oil extracted pays for the operating expenditures. The remaining part—"pure oil extraction"—goes in part to defray capital expenses incurred by a contractor and partly for "profitable oil," which is distributed between the sides in a specific proportion stipulated in the contract. After the capital expenditures incurred by the contractor are fully recovered, the total volume of "pure oil extraction" becomes the "profitable oil," which is subject to distribution between the sides.

The term "bonus" means a specific sum or premium which is paid by the consortium of foreign companies in recognition of the rights acquired under the contract to develop the deposits; it is viewed as compensation for the expenses incurred by us in the search for oil and gas in the area under contract.

Force majeure circumstances mean any event which prevents, delays, or interferes with oil and gas operations where control over this event or its consequences is beyond the capabilities of the side concerned. Force majeure circumstances include but are not limited to emergency situations, natural disasters, wars, or other military actions, terrorist acts, widespread disorders, and inability to deliver equipment and materials, as well as circumstances associated with any laws or edicts, and actions or inaction by any government organ within or outside the republic that obstruct the conduct of oil and gas operations by a contractor and the implementation of contractual obligations. On the whole, this is a very important article in the contract, since it assigns actions by the sides in the event that force majeure circumstances apply and measures to put an end to them, as well as the economic relationships of the sides during these conditions and the procedures for making up (compensating) for violation of the sides' economic interests.

[Buniat-Zade] Can you be as specific as possible about certain foreign exchange earnings received by our republic as the result of the "1+10 agreement?"

First of all, about the 7.4 billion in investments in it: over what periods and in what amounts will they be received? Have these funds been "entered" in accordance with the appropriate items and will they be under the "international control" of the consortium?

When will the republic receive the bonus of \$300 million, how will it dispose of it and where will this sizable amount of "hard currency" be channeled? (You will realize that this question is prompted by "sad experience" when sums such as these have not only turned out to be "smoked and drunk away," but they "burned someone's hands" or "disappeared into pockets.")

And finally, different figures have been appearing in the press (34, 74, or 80 billion dollars) as Azerbaijan's total profit from the agreement signed.

What can you say with regard to these questions?

[Aliyev] The estimates of the capital investments needed to develop the deposits are based on the volumes of operations and world prices for the materials, equipment, transportation, and services. Of course, the schedule and the dynamics of capital investments by years and types of operations are compiled on the basis of technical and economic feasibility and various agreements on the volumes of investments. Thus, it is projected that within the first 30 months, during which a minimum program of essential operations for the contractor is implemented (a three-dimensional seismic survey, exploration of the sea floor, drilling a minimum of three development test wells, analysis of environmental conditions), as well as operations to build platforms and develop the infrastructure will be conducted, on the order of \$660 million will be spent. With the start of full-scale development, the total capital investments increase substantially.

As far as control over investments is concerned, this will be handled by the management committee, whose chairman will be a representative of the Azerbaijan side; it will also confirm the annual programs and annual budgets for the operations.

On the bonus, we can say that its amount, \$300 million, has not been changed, though we have improved the conditions and periods for its payment to Azerbaijan. As to how it will be used and for what priority needs, this will undoubtedly be decided by the republic's leaders.

Now about the profit. The overall gross income from oil in the project over 30 years of development in inflationary money is estimated at \$157 billion. Of this amount, Azerbaijan's share is \$81.7 billion, about \$19.5 billion will be the profit of the foreign oil companies, and the remainder will go to defray capital, operating, financial, and transportation expenditures. At the same time, it should be taken into account that recovery of capital expenditures actually means that all the structures and fixed capital and assets created over these years are the property of the republic. In fact, Azerbaijan's income will be significantly higher, since Azerbaijan's income from 55 billion cubic meters of casinghead gas, as well as income in the event that about 90 billion cubic meters of free gas with the reserves are developed, are not being taken into account here.

[Buniat-Zade] It is sad but true: our oil workers, like all working people, especially the intelligentsia and scientists) receive wages that are several times lower than their foreign colleagues from those countries in the consortium. On the other hand, our specialized oil workers will be the absolute majority working at the new deposits. How will they be paid in order to prevent the "mass transfer" of our oil workers to these "new places?"

[Aliyev] First of all, a Joint Operating Company will be established as the contractor to carry out operations under the contract; as an independent juridical entity, it operates as a noncommercial company without profit and without loss. This operating company will have the right to hire personnel needed to conduct oil and gas operations and will give preference to citizens of the Republic of Azerbaijan under the condition that these persons have the required knowledge, skill, and experience. The Joint Operating Company will periodically provide the State Oil Company with the number of employees needed and it will give appropriate recommendations for candidates who will have priority in the right to be hired, but the Joint Operating Company also has the right to accept citizens of the republic for employment at its discretion. All employees will be engaged on the basis of a labor contract, which will specify the length of the work day, the wages, the benefits provided, the vocational training available, and so forth.

Filling the personnel complement with citizens of the republic will be in accordance with the following principles: before full-scale development of the deposits, 30 percent of the ITR [engineering and technical personnel]

and 70 percent of the workers; when full-scale development is begun with the beginning of oil extraction, 70 percent of the ITR's and 85 percent of the workers; and in 5 years after the beginning of oil production, 90 percent of the ITR's and 95 percent of the workers will be citizens of Azerbaijan.

[Buniat-Zade] The time and total volume of oil at the new deposits are known from the speeches and edicts of the President of Azerbaijan, G. Aliyev. Could you say in general how this volume is planned to be distributed over time?

[Aliyev] On the whole, naturally, in conformity with the dynamics of capital investments, a pattern for oil production has been developed. In the year 2000, it is predicted that 10 million metric tons will be produced from the contracted area, with a subsequent increase of 3 to 5 million metric tons per year and peak production of oil from 2003 to 2014. Maximum volumes are planned from 2006 to 2010 at the level of 34 to 35 million metric tons annually. On the whole, full development of the reserves being predicted, unless there are new openings in the contracted area lying under the productive deposits, will be completed in 2025.

On the other hand, experience and practice show individual omissions or the need to establish new organizational structures, and we will try to resolve these problems as necessary.

[Buniat-Zade] Don't you think that with SOCAR's integration into the world economic system, the incomparably lower prices for Azerbaijan's oil in general, not to mention its unique nature, that is, its special value, will have a "negative" effect?

What is being planned in this regard?

[Aliyev] I do not think so. First of all, Azerbaijan's raw material has never been in the world market. Secondly, when it enters the world market through an export pipeline, the price of Azerbaijan oil will be formed objectively, depending on supply and demand; it will be determined each time at the moment of sale, adjusted for quality, type, volume, and expenses to transport it to the point of sale in order to obtain its pure export value.

[Buniat-Zade] As we know, the young Republic of Azerbaijan has not yet acquired the entire package of vitally necessary laws, in particular, on its "oil and gas structure"—meaning a law on mineral resources, a law on oil and gas, and other laws.

To what extent does this have a negative effect on SOCAR activity, both within the country and with foreign companies?

[Aliyev] This is one of the main questions in the legal activity and relations with foreign companies, and naturally, the absence of such laws sometimes hampers

development and attraction of foreign investments. This is precisely what leads the foreign companies to demand a government guarantee, on one hand, and ratification of the contract by the republic's parliament to ensure that the contract acquires the force of law.

In this respect, we have lagged a great deal behind many other countries.

In a word, the need for us to adopt appropriate legislation is on our critical agenda, since legal uncertainty has a negative effect on the realization of investment projects to a large extent and subjects the investor to an unwarranted additional risk. This in turn significantly increases the norms for return on capital investments and the technical and economic substantiation underlying the projects.

[Buniat-Zade] I would like you to outline for readers the basic problems ahead in implementing "the agreement of the century," that is, briefly respond to the main question in our discussion: "What is next?"

[Aliyev] Right after ratification, we and the foreign oil companies will form a managing committee which will approve the annual program and the annual budget for its implementation in conformity with the conditions set forth in the contract and the volumes for a minimal program of essential operations. For this we will have to conclude an agreement and begin work to modernize and renovate the semisubmersible "Kaspmorneft" drilling rig and the vessels to service this rig, and drill development test wells. Apart from this, for 6 months the contractor will study the possible alternatives, in implementing the plan for early extraction of oil from the Chyrag-I platform, for exporting oil until construction is completed and the main export pipeline is put into operation; in addition, he will prepare a conclusion on the status of the Chyrag-I platform, its adherence to international standards for operation and safety, and the need to renovate or modify it to meet the standards indicated.

And of course, we should begin work to obtain the appropriate authorizations and licenses to conduct the operations, including the construction and erection of the technical facilities on shore and at sea, and most importantly, work actively on the problems of building an export pipeline, a basic condition for full-scale development of the deposits.

[Buniat-Zade] I hope that the "basic landmarks" you have set will become topics for our special discussions, God willing.

In conclusion, in recalling the saying "Better late..." permit me to congratulate you and the entire SOCAR collective on behalf of our newspaper readers on the truly historic "agreement of the century" and wish all of you every success over the next 30 years to put it into effect.

Thank you for the informative discussion.

New State Bread Products Chief Named

954K0305A Baku VYSHKA in Russian 5 Nov 94 p 2

[Announcement under the rubric "Chronicles"]

[FBIS Translated Text] By the edict of the president of the Republic of Azerbaijan K.S. Mamedov is appointed president of the State Grain Products Company of the Republic of Azerbaijan.

UN To Aid Economic Reform Program

954K0305B Baku AZERBAYDZHAN in Russian 5 Nov 94 p 2

[A NURANI report: "There Is No Alternative to Reforms"]

[FBIS Translated Text] One could call the joint press conference of the UN Development Program [UNDP] representative P. Lembo and State Economic Adviser V. Akhundov, held on 2 November in the United Nations' Baku office, an action in elimination of economic illiteracy.

Among the main directions of the economic reforms program, V. Akhundov gave priority to price liberalization, which should go all the way. For instance, in his opinion, keeping energy and bread prices down also affects "liberalized" prices. In order to bring prices into equilibrium, they have to be fully liberalized; otherwise, we will have to revise fixed prices every three months. If prices remain considerably below the world level, no commercial trader will bring grain or flour to Azerbaijan. In this case we can only count on state procurement, which means inevitable deficit, distributive relations, and so on.

Undoubtedly, the process of freeing the prices must be combined with the support for socially vulnerable population groups. But, if we formally raise the level of the minimum wage, pensions, stipends, etc., without properly backing it up with money, we deal a blow to precisely these vulnerable groups by boosting inflation, which "eats up" the entire increase in pensions, wages, etc. In addition, in the inflationary environment there is not and cannot be long-term investment, since the economy becomes unmanageable; money emission must be equal to the inflow of internal and external resources, whether it is investment, credits, or aid—even humanitarian aid.

V. Akhundov named privatization as the second direction of the reform, which will require converting medium-size and large enterprises to joint-stock holding. But conversion to joint-stock holding must be commensurate with the population's solvent demand for securities. Otherwise stock prices will fall, enterprises will not get money for reconstruction, and the very idea of privatization will be discredited.

V. Akhundov also said that the IMF is willing to provide financial aid to our country in the amount of Azerbaijan's quota, that is, \$170 million, 25 percent of which will be received as early as in December of this year. In addition, IMF credits open for us the door to the World Bank, which

does not have the right to issue credits without IMF approval. He also said that during the Madrid meeting he discussed with the World Bank leadership financing for two projects: dealing with the ecological consequences of the rising level of the Caspian Sea and restoration work on Azerbaijani lands occupied by Armenia.

It was emphasized at the press conference that international financial institutions play only an auxiliary role; the main burden of work on transition to a market falls on national governments. And price liberalization is one of the main conditions for making such credits available.

P. Lembo told the gathering that UNDP gave to Azerbaijan \$500,000 of nonrepayable aid, aimed at stimulating the inflow of investment.

It was said more than once at the press conference that a transition to a market economy simply cannot be painless and easy, and that the people must take part in the reforms and begin feeling the masters of their own fate. Meanwhile, one thing is clear: Azerbaijan is starting reforms in the most difficult situation. And it looks like in the future we are facing enterprise shut-downs, rising prices, and the "inflation brake" of wages. One thing is inarguable, however: In order to live well tomorrow, we have to pay for it today. But there is no alternative to reforms.

Foreign Minister on Peacekeeping Forces

954K0305C Baku AZERBAYDZHAN in Russian 5 Nov 94 p 2

[A SHARG report: "Peacekeeping Forces: Two Versions of Deployment"]

[FBIS Translated Text] In the opinion of Azerbaijani Minister of Foreign Affairs G. Gasanov, there are two versions of the terms of peacekeeping forces' deployment in the region of the Armenian-Azerbaijani conflict: Armenian and Azerbaijani. The former assumes that the peacekeeping forces' task is to monitor the cease-fire. The latter—that the peacekeeping forces should be brought to the region to monitor the withdrawal of Armenian formations from the Azerbaijani territory.

There is also a difference of opinion regarding the fate of the Azerbaijani territories Shusha and Lachin, said G. Gasanov. "I cannot imagine a resolution of the Karabakh conflict without Lachin and Shusha. At the same time, the CSCE is encountering serious resistance on the part of Armenia in this matter. The CSCE does understand, however, that this problem cannot be resolved without liberation of the territories," said G. Gasanov. The work on the major political treaty must be continued, in G. Gasanov's opinion. At the same time, the head of the foreign policy agency believes that the authorship of this document is not important. The important part is that its signing would lead to the settlement of the conflict, he said.

G. Gasanov said that of the CSCE member countries only Armenia, as an aggressor, does not have the right to demand participation in the peacekeeping forces. Other CSCE members countries are within their rights to ask for it.

Oil, Gas Production Improves

954K0305D Baku AZERBAYDZHAN in Russian
5 Nov 94 p 2

[Untitled AZERTADZH report under the rubric "In One Paragraph"]

[FBIS Translated Text] October marked the highest level of oil production so far in the current year, although oil industry workers still were not able to fully meet the planned quotas. Overall, almost 900,000 tonnes of oil were produced, which amounts to 91.4 percent of the planned level. The situation with respect to natural gas production improved somewhat due to putting on line gas utilization systems at the Neftyanyye Kamni oil field.

Grain Harvest Fails To Meet Needs

954K0305E Baku AZERBAYDZHAN in Russian
5 Nov 94 p 2

[Untitled AZERTADZH report under the rubric "In One Paragraph"]

[FBIS Translated Text] Azerbaijan produced almost 2.5 times less grain than is needed to meet all republic needs. According to Sabir Akhmedov, chief agronomist of the Ministry of Agriculture's Grain-Growing Administration, 4.018 million tonnes of grain were harvested this year, which is 382,000 tonnes less than planned. Of this quantity, the state procured 264,000 tonnes, which is also less than planned by 136,000 tonnes.

GEORGIA

Troubled Situation in South Ossetia Detailed

954F0155A Moscow SEGODNYA in Russian
20 Oct 94 p 3

[Article by N. Gorodetskaya: "South Ossetia Dreams of Becoming Part of Russia"]

[FBIS Translated Text]

Unrecognized States Unifying in CIS-2

Tskhinval basked in the southern sun, green and cozy. One is reminded of war by the ruins of homes which abound here, particularly in the Jewish quarter, the shot-up memorial to Lenin on the railroad square, and the cemetery of those killed during military operations, which is situated in the front yard of School No. 5 (it was used for burials since this was the most sheltered area and the city cemetery was cut off by Georgian forces).

At present about 36 percent of the South Ossetian population of 65,000 (including refugees from interior regions of Georgia) live in the city. The supply of gas, which came from Georgia, has been disconnected. The water supply system does not work; water can be collected only for several hours a day from remnants of pipes sticking up from the asphalt pavement. In the stores it is possible to purchase vodka, champagne, candy, and sometimes goats. At the street stalls one can find the usual Moscow assortment of goods, perhaps on a somewhat smaller scale.

In the republic, where prior to 1989 there were 10 enterprises of Union significance, not counting the smaller ones, just four are in operation today—the Elektrovibromashina and Emalprovod plants, the Kvensi lead-zinc ore administration, and the Tsmeliss talcum enterprise, and they are utilizing from 20 to 60 percent of their production capacities. The production volume is about 12 percent of the 1989 level. Every third resident of the republic is out of work. The average wage is R19,000-R20,000, while the minimum wage is R6,000. The minimum pension is R11,000, and even that has not been paid for 10 months.

Despite the war, an earthquake, and a flood, which totally undermined the economy, South Ossetia believes in a brighter future. It is true that opinions regarding the future differ somewhat—some think that the republic should join North Ossetia and, therefore, Russia, while others think that it is necessary to first join North Ossetia and then build a sovereign state; still others are satisfied with both variants. Everyone is prepared to defend their independence from Georgia by any means. The greatest hopes of the "Southerners" are associated with Russia. Georgian coupons are not recognized in South Ossetia, and the Russian ruble is used to pay for everything. By the way, Georgians living in the republic also prefer to have rubles. For instance, a small market grew up in the neutral zone between Russian and Georgian posts of the peacemakers at Tamarshen, where residents of Georgian villages sell Ossetians vegetables and fruit at rather low prices.

At the same time, North Ossetia is in no hurry to accept "the Southerners" under their protection, which is completely natural, inasmuch as it has neither economic nor political possibilities for that and depends on a decision in Moscow. Moscow, however, as commonly known, supports the idea of "a unified and indivisible Georgia." Boris Pastukhov, deputy foreign minister of the Russian Federation, recently brought a regulation on the creation of a Combined Control Commission (SKK) to Tskhinval, replacing the first one created in 1991 in accordance with an agreement reached in Dagomys, which somehow disappeared. In the opinion of the Ministry of Foreign Affairs of the Russian Federation, the SKK, composed of representatives of Georgia, North Ossetia, South Ossetia, and Russia, should concentrate on the economy, politics, and refugees on the territory of "the Southerners," and also fight crime. Leaders of "the Southerners," however, concerned that the executive power may shift from them over to the SKK, proposed another version, according to which the commission should concern itself only with refugees and the economy. It seems that the question concerning the creation of a new SKK will be under discussion for a long time, inasmuch as South Ossetia is against any interference at all by Georgia in its internal affairs. Any public admission by any of the leaders of "the Southerners" regarding the need for a commission will immediately lead to accusations of "betrayal of the people."

In essence, this Georgian republic exists on humanitarian assistance and Russian money. Goods such as salt, flour, and matches were purchased for the R2 million appropriated by the MChS [expansion not given] of the Russian

Federation, and are being sold to the poor at low prices. A month ago the Government of the Russian Federation appropriated R5 billion for the restoration of various regions—the money will be used for specific purposes to restore housing, municipal services, electric power, and industry.

The position occupied by the republic, which wants to have nothing to do with Georgia and is not recognized by Russia, even though it is fed by it, did not suit South Ossetia. The idea occurred, which was supported by others, in the words of Valeriy Litskay, the state secretary of the Dniester Region, among "former hot spots, and currently frozen points," of becoming legitimated. The union of unrecognized states—CIS-2, as it was called by Aleksandr Karaman, vice president of the Dniester Region, was started. Agreements on friendship and cooperation between the Dniester Region and Georgia, Gagauzia and Abkhazia, and Gagauzia and South Ossetia have already been signed. A treaty is being prepared for signing by South Ossetia and Abkhazia. South Ossetia and Nagornyy Karabakh are busily exchanging delegations. In the opinion of the unrecognized states, their official recognition of one another as well as treaties of friendship between them, as initial diplomatic steps, will help these states to make themselves known on the international arena.

In view of the fact that there is no world experience in legalization of unrecognized states, they are hoping to become pioneers in that area. It is a dream of unrecognized republics to join the states on whose territory they are located, as associate members—similar to Puerto Rico in

the United States or the Principality of Liechtenstein in Switzerland. In addition to that, all states are interested in mutual economic support, creation of joint ventures, and development of trade. According to Petr Zavrichko, head of the Administration of Foreign Trade, there is a basic agreement concerning the signing of treaties with Stavropol and Krasnodar. Therefore, in the opinion of the unrecognized states, "A second CIS is being born, and it is born not on orders from the top, like the first one, but because of a vital necessity." And therefore it will be first in significance.

Recently the situation in South Ossetia began heating up. As learned by SEGODNYA, a scuffle developed on 16 October at a market in the neutral zone located between Ossetian and Russian peacemaking posts near Tskhinval, between Mkhedrioni fighters and the local Georgian mafia organization. After exchanging fire, they then started firing first at shoppers at the market and then at the Ossetian peacemakers. Two Ossetian shoppers were killed as a result, a Georgian merchant was wounded, and three persons disappeared without a trace. On 18 October, a long-distance bus was hijacked en route from Dzghva to Tskhinval, and its passengers were taken hostage by residents of the Georgian village of Kekhvi. The women and children were released yesterday, but the 20 men were not.

The South Ossetian leadership issued a declaration yesterday, stating that these acts were planned ahead of time. Their goal is to provoke a new Georgian-Ossetian conflict so that Georgia would have a reason for bringing troops into the rebellious republic.

ESTONIA

Editorial Sees UK Agreement As Step To NATO

954K03324 Tallinn PAEVALLEHT in Estonian
4 Oct 94 p 2

[Staff editorial: "October 4, 1994"]

[FBIS Translated Text] A memorandum on cooperation in the area of defense was signed between Great Britain's defense minister Malcolm Rifkind and Estonia's defense minister Enn Tupp in Tallinn yesterday.

Great Britain is by no means the first European state, with whom Estonia's planning for and furthering cooperation in the area of defense, based on some document. And it will certainly not be the last. To analyze this, such agreements deserve notice from quite a few aspects.

It is well known that Estonia has repeatedly expressed its strong desire to become a full member of NATO as soon as possible. NATO, both as the organization collectively, and also through its members individually, has remained cool to Estonia's aspirations so far.

The reasons, of course, are manifold.

First of all, Russia's raging opposition to the expansion of NATO, in general, and to the prospect of the Baltic states joining the organization, in particular.

Secondly, NATO is not interested in expansion due to countries, whose ability to defend themselves effectively is in some doubt.

And thirdly, every modern army is an independently functioning entity, with its weapons, its means of communication, organization and much else, that cannot be channelled just anywhere.

Considering all of this, military cooperation between Estonia and the member countries of NATO is not really conceivable in any form other than bilateral agreements which, if they could actually be implemented, would help Estonia move faster, and indeed in the right direction, toward bridging the gulf-like gap that is now separating it from NATO.

A closer examination reveals that all the steps taken toward building up Estonia's defense forces during the past year, as well as offers from the West, have been geared toward making full NATO members out of Estonia (and other countries of the Eastern block).

This has been kept in mind when working out the "Partnership for Peace" program, considered when creating the Baltic peacekeeping battalion and in all agreements for cooperation in defense matters already entered and also—like it or not—in connection with the Israeli weapons purchase.

However, it is not only a question of NATO and the possibility of Estonia joining that organization. Equally significant is the rapid development of a well-armed and well-functioning defense force for coping with crisis situations in the civilian sector.

The lingering blow of the disaster befalling the ferryboat Estonia could serve as one warning example here. At the time of the disaster, neither the rescue services nor the armed forces of Estonia had the means necessary to participate in the rescue operations. Yet, it should have been up to the army to supply all the planes, helicopters and ships needed for that purpose.

In Estonia, many people think that having a defense force is a luxury for us. The Estonia disaster shows that this is not quite so. A defense force is a luxury only if it is poorly trained, short on discipline, poorly equipped, or does not inspire anybody's confidence.

History, Accomplishments of Laar Government Noted

954K0267B Tallinn PAEVALLEHT in Estonian
4 Oct 94 p 2

[Commentary by Vootele Hansen, Member of the Rightist Faction of Estonia's Parliament: "The Mart Laar Era"]

[FBIS Translated Text] *The government headed by Mart Laar will go into Estonian history as the longest-lasting parliamentary government to date. Prime Minister Mart Laar is also the first minister in Estonia's history, who received a no-confidence vote from Riigikogu [Estonia's parliament]. These, however, are only the formal aspects of the Laar era of government. What kind of substantive assessment would the Laar government get from those more removed from it in space and time?*

Certainly, the first significant achievement of Mart Laar's government was

Laying the foundations for statehood

A great number of laws derived from the constitution have been passed and implemented, and all institutions designated therein have been established. The organs of power and government agencies know the limits of their jurisdiction. From now on, only experience and actual life can bring about further specifications in the laws.

Foreign troops have left Estonia

True, the agreement that went along with it conceded to the fact that military pensioners and specialists dismantling the Paldiski reactors are staying here. To this day, the government has not spelled out its position regarding these agreements, promising only, at some unspecified future date, to conduct a legal expertise. Or is this stalemate in our Eastern relations the price we have to pay for getting rid of the foreign troops?

Third:

Privatization has continued

The state's diminishing share in the economy has drawn widespread international attention. Privatization through the sale of shares is also getting started. The sale of shares

for privatization securities lends substance to compensating for property that was nationalized at one time. The sale for cash, too, gives thousands of people the chance to invest their meager savings.

Unfortunately, many scandals linked to privatization have been blamed on the government.

Fourth:

The state's budget has been kept in balance

And that at relatively low taxation rates, compared to our Eastern neighbors. We have stayed clear of subsidies which, inevitably, would have become the means of paying for unprofitability in some branch or region, and cause a number of hard-to-solve problems for the future.

Fifth: To protect the domestic market

All kinds of protectionist measures have been avoided

As a result of this, our consumer can take advantage of the freedom of choice and low prices for many of the goods and services, in a setting where the possibility of emerging domestic monopolies is actually quite high.

Sixth:

The development of defense forces has continued

Also significant, in this context, is the breaking of the embargo on weapon sales that has surrounded Estonia up until now, regardless of the Israeli weapons scandal. But weapons trade has always inflamed passions and, given a parliamentary government, weapons sales through Estonia to participants of the Spanish Civil War in the late thirties would, in all probability, not have been accomplished without noise.

Seventh:

The government started specifying matters pertaining to state property,

where many restrictions were eliminated during transitional governments. The role of the state was specified in many banks and enterprises. Procedures for the sale of individual items were regulated by government decrees, and so was the relationship of proceeds to the state budget at profit-making state enterprises. Also submitted for processing at Riigikogu was the bill for the state property law.

The listing of the government's accomplishments could go on. As one could also list such issues, for the solution of which there was either no time, experience or even know-how. After listing such accomplishments, the reader is bound to ask: In passing the no-confidence vote, did not our Riigikogu act the same way the Founding Assembly did in 1920, when it retired Lieutenant General Johan Laidoner, commander of Estonia's national forces, forgetting to thank him.

Unlike Johan Laidoner, Mart Laar is a politician. And an elementary rule for politicians is that, in a parliamentary democracy, the government must rely on the balancing force of many differing interests.

A great number of people in Estonia are certainly

Tired of rapid reforms

Adjusting to changing laws and getting used to the new legal system have been much too stressful.

The need to be accountable for one's own self is new and scary to many. The unprecedented freedom to act that one gets in return seems too small in comparison. Prevailing mentality would hold that it is easier to get some official's permission for each thought, statement or act contemplated, than to rely on such person's help or support after getting into trouble.

One can experience envy about the sudden fortunes made by some of our fellows during the confusion of a transitional period. It is easy to suspect some successful person of breaking the law, even though many of those who envy and suspect others are often glad to buy the alcohol or tobacco being sold illegally.

The breakup of the coalition became evident

after the swarming that split the national coalition Isamaa [Fatherland] and the disintegration of its parliamentary faction. This was caused by a breakdown of democracy within the faction and cessation of public debate.

As chairman of the faction, Mart Laar should have been able to strike a balance between the different groups but, instead, he opted exclusively in favor of those of his supporters who offered no criticism. Time has proven, once again, that digging under one's own feet will lead to a downfall sooner or later.

Agricultural Producers Seek Subsidies

954K0267C Tallinn PAEVALEHT in Estonian
5 Oct 94 p 3 Business Section

[BNS release: "Agricultural Producers Sought Subsidies"]

[FBIS Translated Text] TALLINN (BNS). *At negotiations between the government and agricultural producers, held on the basis of the income law, an agreement was reached concerning wholesale prices and sales volumes of next year's agricultural production, said Andres Varik, leader of the producers' delegation and acting director of the the league of agricultural producers.*

Based on wholesale prices approved, agriculture needs an income of 699.1 million kroons next year, Varik said. More than 90 percent is made up of subsidies for raising cattle or milk production, added Margus Leivo, leader of the government delegation and chancellor of the Economic Ministry.

Projections call for 60,000 tonnes of rye to be sold (production subsidy needed 21 million kroons), 70,000 tonnes of wheat (17.5 million), and 30,000 tonnes of feed oats and barley (6 million).

Additional subsidies are not needed for the production of potatoes (125,000 tonnes), vegetables (40,000 tonnes), hogs (live weight 56,000 tonnes), poultry (basically broilers, 4,000), and eggs (300,000) Varik said.

Also needed are 516.8 million kroons for the production of milk (680,000 tonnes), 133.8 million for calves (30,000 tonnes) and 4 million for sheep (1,000 tonnes), Varik said.

A proposal asking for 699.1 million kroons is being submitted to the government, Varik said.

"The negotiations are held pursuant to the agricultural income law which states that if negotiations are not concluded by the time next year's budget is completed, proposals for the appropriate areas will be made by the government," Leivo explained. It is known that the government has already approved next year's budget, and that it has been forwarded to the parliament. It includes no subsidies meant for agriculture.

Among proposals submitted to the government are those stressing the need for favorable loans (400 million kroons through the credit fund for rural living, which includes 100 million in the form of short term loans), setting up customs tariffs for imports, working out a system for direct support, and raising prices, Varik said.

Out of the sources covering such support, the government delegation could only agree on working out a system for direct support, the rest of the proposals do not fit into the present economic space, Leivo said. These are tied to raising prices, which would increase inflation; closing the borders, which does not fit into the present eco-political configuration; and direct subsidies, which would be within the bailiwick of the parliament, Leivo explained.

"Producers want outright subsidies, which would take us back to the previous era," Leivo said.

The protocol of the negotiations will presumably be signed today, during the last round of talks. Varik said that negotiations also included discussions on possible state involvement in agricultural production.

1995 Government Budget Approved

954K0267A Tallinn PAEVALEHT in Estonian
28 Sep 94 p 1 Business Section

[BNS release: "Government Approved Next Year's Budget"]

[FBIS Translated Text] **TALLINN (BNS).** At its yesterday's session, the government approved next year's budget and will forward it to Riigikogu [Estonia's parliament] in time i.e. on Thursday, Prime Minister Mart Laar said at the press conference.

"It is gratifying to state that the government is submitting a balanced budget to the parliament," Laar remarked. He added that, compared to earlier times, great strides have been made in preparing the budget, such as the incorporation of the state investment program in the budget.

"The last amendments made at yesterday's session reduced the government's reserve fund by 80 million kroons and increased allocations to local governments," Laar said. He said that out of payroll allocations, most of the increases went to the educational system, higher education, border guard and police.

"According to the budget, the size of the government's reserve fund for the coming year will remain at 118 million kroons," Laar added.

"The volume of next year's budget is 8.69 billion kroons," said Ants Liiver, head of the Finance Ministry's budget department. "Within the framework of the State Investment Program (RIP), some 640 to 650 million kroons will be allocated through the budget next year," he said. "The exact amount could not be given right now, since the RIP projects in the budget have already been distributed between the ministries," Liiver explained. "Since RIP proceeds also include foreign loans, the total RIP volume is roughly twice of that financed out of the budget," Liiver added.

LATVIA

Gailis on Normalizing Relations With Russia

954F0149A Moscow OBSHC HAYA GAZETA
in Russian No 42, 21 Oct 94 p 2

[Interview with Maris Gailis, prime minister of Latvia, by E. Govorushko; place and date not given: "'Occupation' and 'Normalization'—A Check of Comparability"]

[FBIS Translated Text] **Preparations are being made for the visit of Viktor Chernomyrdin, chairman of the Government of Russia, to Latvia. Eduard Govorushko, an OBSHCHAYA GAZETA correspondent, spoke with Maris Gailis, the prime minister of Latvia.**

[Gailis] This visit must promote the swiftest possible resolution of existing differences and provide a fresh impetus to the development of political and economic ties between our countries. Even though its significance must not be exaggerated and viewed as a kind of panacea. After all, intergovernmental negotiations and preparations for the visit have already resulted in the completion of 10 agreements now ready for signing, while several more are still being prepared. The circle of problems whose resolution does not require a treaty has also been determined. Specific dates of the visit are to be announced in the very near future.

Unfortunately the burden of the past proved to be heavier than we had expected in our intergovernmental relations. Even though today, when the withdrawal of Russian troops has been completed, there is the feeling that the positive is gradually taking an upper hand. The more mutual respect and trust there is between us, the faster the negative situations associated with Russia of the Soviet period will vanish. In the final analysis, Latvia is interested in good-neighbor relations with Russia. I am happy that both sides are already taking steps toward each other: A number of agreements have been prepared for signing, and it is planned to create a Latvian business and cultural center in Moscow and a Russian cultural center in Riga along with a Latvian-Russian chamber of trade and industry. That is most important.

It is impossible, however, not to admit that our possibilities of influencing the situation in the required direction are limited. The Russian side criticized the Latvian law on citizenship in the course of the discussions. At the same time its position differs, or rather, contradicts that of other countries and international organizations. I can only once again confirm the intention of Latvia to resolve these problems in strict correspondence with standard international obligations. That is also evidenced by the conclusions of international experts as well as the fact that our country is the first of the postcommunist republics to create a national human rights program. The state guarantees equality before the law for all residents of Latvia and equal laws for protection against discrimination. In Russia however, they seem to prefer not to notice that.

[Govorushko] As commonly known, Russia not only does not regard its forces as occupational, but does not consider Latvia as having been occupied in 1940 by the Soviet Union. Does your government intend to demand Russian recognition of the very fact of occupation as a condition for normalization of relations? Does it not seem to you that the concept of "occupation forces" and "normalization" are mutually exclusive?

[Gailis] If we proceed from the fact that one does not speak of ropes in the house of someone who has been hanged, then you are, of course, absolutely right. However, there is another proverb: "You cannot omit words in a song." I believe that in order to establish firm relations, it would be better to dot all the i's. If we tell the entire truth, as bitter as it may be, we will only promote the disappearance of the shadow of the past which so often blocks a look at the future.

[Govorushko] Which country, in your view, Mr. Prime Minister, should take the first goodwill step and ratify the treaty signed by presidents of Latvia and Russia?

[Gailis] I do not believe that it is necessary to attach any significance as to who is first to ratify the signed agreement. It is hardly proper to speak of a goodwill gesture where legal procedures are concerned as provided by the legislation of each of the sides and precede the placement of treaties into effect. The lawmakers of both countries must themselves, without excessive emotion, undertake the study of this question in order to decide what order of ratification best suits the national interests of Latvia and Russia. Still, without forgetting the fact that Russia never did conclude the agreement on mutual legal aid in criminal, civil, and family cases, after insisting so much on its earliest possible signing, it would be good to take revenge in the given case.

[Govorushko] Does Latvia have territorial claims against Russia?

[Gailis] Latvia has no territorial claims against Russia. If problems associated with border regions are to be discussed at all, taking into account circumstances under

which a portion of land bordering on Russia "shifted" to the administrative management of the RSFSR, it would be appropriate to look at agreements that have been concluded as well as at historical documents and get to the heart of the matter. Taking into consideration the delicacy of these issues, it would be more constructive to discuss them without haste or excessive dramatization, using a method such as regional roundtables.

Improvement in economic ties with Russia may play an important role in the further development of the economy, which is mentioned in the government declaration. As commonly known, most favored nation treatment in trade became effective as of June, which will undoubtedly benefit the economies of both countries. Economic cooperation must be raised to a qualitatively new level and filled with specific content as well as given a more effective form. Work is under way at the Ministry of Economics on the draft of an agreement on trade and economic ties in 1994-1995. Interbranch agreements have already been signed on cooperation in machine building between enterprises of the light, textile, and woodworking industries. I would name the following agreements as being of the highest priority: on mutual recognition of court rulings and on the order in which economic disputes are to be resolved; on mutual recognition of quality certificates; on simplification of checks and processing of goods and component parts falling under provisions of the agreement on industrial cooperation, as well as those which are imported or exported for the period of processing. I have the feeling that the Russian side shares our viewpoint.

[Govorushko] What steps toward the normalization of political and economic relations does your government expect from Russia?

[Gailis] Intergovernmental relations are a two-way street. Any steps taken by Russia would be received with understanding. I would like to point out one problem that will continue affecting us for a long time to come—the voluntary resettlement of willing individuals in Russia. I think that the focusing of attention on the creation of all-Russia programs of assistance for resettlers, and not the search for flaws in our Latvian legislation, would be more productive and promising. That would also promote an improvement in relations between the two countries.

I believe that even before the New Year there will be new citizens in Latvia. The draft law on the legal status of former citizens of USSR who are not citizens of the Latvian Republic or of any other country is a priority item at the Seimas. I believe that this will help us attain trust and mutual understanding, without which we all suffer, and also accelerate the process of integrating the Russian-speaking population into Latvian life. As prime minister, I pledge to promote this in every possible way.

Increase in Earnings, Accommodation Rents Noted

954F0183A Moscow IZVESTIYA in Russian
26 Oct 94 p 11

[Article by I. Litvinova: "Average Wage in Latvia Reaches \$140, But Is Eaten Up by High Apartment Rents"]

[FBIS Translated Text] The average wage of residents in Latvia has reached \$140 (in Latvian currency that amounts to 78.2 lat). The republic Committee on Statistics indicates that this is the highest index on the territory of the former USSR.

The authoritative newspaper DIYENA DLYA DELOVYKH LYUDEY states that Latvia does not just have the highest average wage but is also the most expensive country on the territory of the former USSR. According to statistical data, Latvia has the most expensive bread: a kilogram costs 31 santi, which comes to more than 50 cents. The republic also has the most expensive pork, costing 1.47 lat a kilogram, which is almost \$3. Specialists say that the purchasing power of residents, let us say, in Turkmenistan, is significantly higher than in Latvia.

The absolute figure might appear quite a bit higher, but it definitely requires explaining. The lion's share of the income received by residents of Latvia must be spent on apartment rent and municipal services. It seems that Latvia is a record-holder in this area as well: Families pay from 10 to 60 lat a month for housing (in dollars it is almost double that amount). Taking into consideration that pensions barely exceed 30 lat (at best), it is possible to imagine how difficult it is for the lower-income people to manage. The state is practically unable to help them. Cases are already known of those failing to pay their rent being evicted without being provided with alternate living space. Latvian capitalism, based on a rigid monetary policy, so far does not allow spending on social programs and assistance for those who are unable to live in accordance with the new rules.

Public transport and telephone services are not cheap in Latvia. The recent hike in prices for interurban telephone calls to former Union neighbors has led to a situation where that service has become beyond the means of many: A one-minute call to Moscow costs over 50 cents, and a call to Central Asian republics of similar length costs \$3.

The "heavy" lat caused a rise in prices on clothing, various other products, and household items. It is no longer a secret that people who are well-off prefer to buy clothing during their foreign trips: It is cheaper and better over there than in Latvian stores. Those whose wallets are thinner, however, travel to neighboring Vilnius to shop for clothing where, at the personal property market, well known throughout the Baltic area, it is possible to acquire goods a degree cheaper than in Latvia.

In general, a strata of people has formed in the Baltic country (for the most part living in Riga) who have managed to accumulate substantial capital by engaging in financial business and commerce. They purchase homes

priced from \$50,000 to \$250,000 in the city suburbs, and collections of paintings by famous artists are appearing in some of their apartments. Jewelry made by well-known Western firms sells without difficulty.

According to predictions by analysts, the gap in the incomes of rich and poor in Latvia will widen in the near future. The Latvian version of the privatization of state property for certificates will be one of the factors promoting a detachment of the part of society with capital from their fellow countrymen. It is like a voucher with local specifics. The face value of the certificate is set at 28 lat by the government (slightly over \$50). On the securities market, however, certificates are selling for 1.5-2 lat and low-income people are selling them in large quantities in part for the purpose of getting 100-200 lat to pay past due apartment rent. In this manner large financial companies and firms, having purchased the privatization certificates, will be able to acquire facilities being sold by the government almost 10 times cheaper than they would cost if paid for in the conventional manner.

The unscrupulousness of a number of financial firms was particularly evident during a loud scandal connected with the cheating of depositors. Its scheme is similar to those seen in other republics of the former Soviet Union. A year to a year-and-a-half ago dozens of firms began accepting money from the population for deposit at rather high interest rates and managed to pay them for a while. Then the collapse began. People failed to receive either their initially invested money or the interest on their capital. The Bank of Latvia came along with an order prohibiting firms from accepting voluntary deposits from the population without a license. This decree came too late, as the doors of the offices were already closed and their heads had disappeared, some in an eastern and others in a western direction.

After a serious investigation was started, it was discovered that several tens of thousands of people had been cheated, while the amount stolen from them totals several million dollars.

The investigation suggested a number of versions of the massive financial swindle, which, according to some data, affected every tenth resident in Latvia. The most interesting one is the "pyramids," which were created in Latvia on the basis of a single script by a single criminal syndicate for the purpose of enrichment at the expense of the entire population of the republic.

After this scandal assumed national proportions, special investigative groups were created and around 60 criminal cases have been initiated. No longer relying on anyone, swindled investors began uniting. They have created an association which helps with consultations and information and is also prepared to continue fighting for the money these people lost. The investors are attempting public protests. A few days ago, however, Latvian police broke up one of the large groups of pickets consisting of investors who were swindled by crooked firms who had gathered near the Cabinet of Ministers building.

LITHUANIA

Business Climate, Trade Prospects Examined

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26 Oct 94 p 13

[Article by Nikolay Lashkevich: "The Business Climate in the Baltic Countries. Lithuania"]

[FBIS Translated Text] Lithuania's Trade Looks to the West

Although Lithuania's trade turnover with Russia, her main trading partner in the CIS, rose fourfold over 1991, specialists of the Ministry of Industry and Trade state that the two countries' trade relations have markedly deteriorated. This year for the first time the most visible trend is toward sharply declining trade volumes. The noted growth was due primarily to a huge difference in prices which does not fully reflect the actual situation in trade.

According to figures shown to IZVESTIYA in Lithuania's Ministry of Industry and Trade, Russia is gradually ceasing to be Lithuania's main trading partner. Similar trends are observed in trade with other CIS countries. Although Russia has not given up its leadership in terms of the number of joint enterprises (it has 989), in terms of investment levels it has dropped to fourth place and now accounts for only 6.5 percent of investments on Lithuania's books. In the first half of this year, imports (about 4.8 billion lity) exceeded Lithuanian exports to Russia (3.5 billion lity) by more than 1 billion lity, primarily due to vigorous imports of mineral and energy resources. The most saleable products in Lithuania are petroleum, fertilizer, and diesel fuel. According to data from Lithuania's Trade and Industry Department, mineral fertilizer and oil account for the lion's share of imports from Russia—76 percent. Ferrous and nonferrous metals account for only 3 percent. In this regard Lithuania has rapidly turned toward Ukraine and other CIS countries which have more liberal export conditions.

It is essential to be aware that the causes of this rapid deterioration are rooted primarily in the dual customs tariff instituted by the Russian side as well as the ineffectiveness of agreements on trade with CIS countries, although a trade arrangement has been instituted with all of them except for Turkmenistan.

In particular, an agreement on most favored trading status that was signed by V. Chernomyrdin almost a year ago in Vilnius is not in effect between Lithuania and Russia. Russia is demanding a lenient transit arrangement to Kalinigrad in exchange for benefits in trade. R. Shyagzhdly [name transliterated], the deputy director of the Department of Foreign Trade of the Ministry of Industry and Trade, thinks that on the one hand this policy would cause Lithuania to sustain big economic losses (enterprises tied to the Russian economy would suffer bankruptcy, unemployment would rise, goods not in demand in the West would go unsold, and so on). On the other hand, it would jolt Lithuania to redirect its exports to the West and greatly improve the quality of its goods (Lithuania meat products

are already winning gold medals in international exhibitions). Lithuania is now undergoing a rapid structural restructuring of industry and trade, enabling it to loosen its dependency on its trading partner.

It's Easier To Export from Lithuania, Harder To Import

And so, the flow of Lithuanian goods to Russia and the other CIS countries is drying up. A graphic example: Russia has set a 60-percent customs duty on Lithuania's well known television sets. As a result, shipping Shilyapis and Taurases [names transliterated] to Moscow is becoming very unprofitable, although these sets would be bought up readily in Russia's cities and towns. They are of good quality, cheap, and durable. Lithuania does not put up such barriers. According to A. Mineikis, the head of the Agreements Division of the Ministry of Industry and Trade, you can buy and sell things freely in Lithuania, conclude deals, and export goods without any restrictions on Lithuania's part. Exceptions include unfinished leather (a 50-percent duty), timber (20), scrap ferrous and nonferrous metals (15), and ferrous metal (5). There are no customs restrictions on other goods.

Restrictions on imports into Lithuania are more substantial. First, the entrepreneur has to pay a NDS [unidentified], which is 18 percent in Lithuania, and also a duty whose amount depends on the type of product. Here are some rates on particular groups of goods: meat products—20 to 25 percent; fish—10 percent; grain—10; sugar—30; cement—25; fabrics—10 to 15; rugs—25; footwear—5 to 15; motor vehicles—10 percent, duty based on a seven-year period of production. No duties are imposed on wood and metal. Rates for other goods which are less likely to be imported into Lithuania mostly do not exceed 5 percent.

Generally, there are no queues on Lithuania's eastern borders. Transit freight can proceed without long delays. But anyone who risks going through Lithuania to Poland can expect major unpleasantness at the Lazdiyskaya Customs, in the form of long lines, bribes, rudeness, and so on. Incidentally, bribery is the most painful subject for Lithuanian customs officers. Bribe-takers in uniform have lately been exposed practically every month. So it is necessary to be ready for open and hidden forms of blackmail on the border. According to the crime sheets, the rates vary greatly—from 100 to 1,000 dollars, or even more. Sometimes the officers take less; nobody wants to risk his profitable job for the sake of fifty dollars or so. They will demand it for any reason—mistakes in the documents, documents wrongly filled out, excess freight, and so on.

Prices You Can Live With

According to experts in Lithuania's Industry and Trade Department, Lithuanian prices on basic types of goods and services now are not much different from world prices. At the same time, Lithuania is winning a solid reputation as a "cheap country". This is most graphically clear in comparison with the other Baltic countries. According to the Lithuanian Department of Statistics, Lithuania has the lowest prices in 12 out of 16 groups of goods. The cheapest goods in Lithuania are butter—1.87 U.S. dollars (versus

2.80 in Latvia and 2.18 in Estonia), milk—0.18 (0.37 in Latvia, 0.25 in Estonia), 10 eggs—0.38 (0.60 in Latvia and Estonia), bread, potatoes, sausages, and so on. Visitors as well as Lithuanians who have gone abroad realize that the same foreign item—especially clothing—can be bought much cheaper in Lithuania than in the country that made it.

It has been noted that many goods in Lithuania are much cheaper than similar ones sold in Moscow. A. Mineikis cited one curious example in which a new Lada brought in from abroad can be bought for about 1,000 to 1,500 dollars cheaper than in Russia. Lithuanian entrepreneurs are taking skillful advantage of the fact that Russia sells VAZ cars abroad at dumping prices just to keep the market....

Lithuania's reputation as a cheap country is also backed up by hotel prices. A day's lodging in a medium-class hotel (a one-person room), regardless of whether you are a foreigner or a local, costs from 50 lity (about twelve dollars) in Vilnius' Gintaras to 150 lity (the Turistas); and if someone feels like spending the night in one of the capital city's best hotels, the Lietuva, he has to come up with 280 lity or seventy dollars for a one-person room. By the way, the only currency in use in Lithuania is the national currency, but at a rate of four lity to the dollar it is always possible to exchange money freely and without hindrance (the lit is a very hard currency). In fact, you can bring in or take out hard currency without restrictions.

You can dine in a good Vilnius restaurant for 20 lity. An average taxi ride costs 10 lity. But in Lithuanian cities you don't have to be afraid of public transportation, although local inhabitants complain loudly about it. They don't know what a real Moscow or St Petersburg jam is like. You can take a bus or trolley to any place in Vilnius quickly, in half an hour.

If, God forbid, a visitor from the CIS should happen to fall ill in Lithuania, he won't have to pay for medical help. That is, unless he winds up in a private clinic, where it costs about 50 lity just for an echoscope examination.

Finally: if anyone thinks that people in Lithuania won't answer him in Russian if he asks how to get downtown, that they will turn away or call him "an occupier" or other epithet designed to spoil his mood on grounds of nationality, he is mistaken. It has long been observed that most Lithuanians are not hostile to Russians. You will find fools anywhere, of course, and that category of people knows no national boundaries or distinctions.

As far as entrepreneurs and businessmen are concerned, none of these problems are of importance to them. The main thing is to make successful and profitable deals with one another. Right now, however, trade with Russia and the CIS countries is going down. Economic and political barriers are too high. And the sooner politicians get rid of them, the easier it will be for entrepreneurs. And, consequently, all of us.

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